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ABSTRACT

This policy statement on job training for the urban poor explores ways of abating poverty, considers current manpower training and employment programs, and makes a number of recommendations for strengthening and improving them. In addition, concern is expressed for increasing the productivity of the national economy by making the labor force as a whole more productive and utilizing it more fully. The paper discusses poverty and employment, evolution of a national manpower policy, and recommended directions for manpower policy. Some of the recommendations are: (1) that special remedial and job training programs continue for the indefinite future; (2) that special attention and possibly major policy changes are required to combat the high rate of unemployment among young people, particularly the disadvantaged; (3) that ways of motivating young blacks and other minority group members to view employment as a source of satisfaction are needed; and (4) that special attention should be given to the provision of more adequate training for those in penal and correctional institutions. (Author/JW)

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Training and Jobs for the Urban Poor

A Statement on National Policy

by the Research and Policy Committee

of the Committee for Economic Development

July 1970

UD010627

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Foreword

The Research and Policy Committee of CED has become increasingly involved over the past three years in studies dealing with an interconnected group of social problems related to the alleviation of poverty, especially among the urban disadvantaged. In April 1970 we issued a policy statement on *Improving the Public Welfare System. Training and Jobs for the Urban Poor* is a companion statement which deals with long-term solutions to the problem of urban poverty. Nearing completion by a subcommittee is a third, closely related report on "Education for the Urban Disadvantaged."

Study of these problems furthers the basic objective of CED: "to contribute . . . to the maintenance of high employment, increasing productivity and living standards, greater economic stability and greater economic opportunity for all our people."

In carrying out this objective, the Committee has for many years concerned itself with developing findings and recommendations to achieve high employment and steady, noninflationary growth through the appropriate use of fiscal and monetary policies. The most recent

period of high employment brought out the contrast between the rising living standards of the majority of workers and the poverty of the urban poor who were able to work. This poverty has resulted from unemployment, intermittent employment, low wages, or a combination of these. Raising the level of employment and incomes of the urban disadvantaged who are able to work calls for a wide range of measures for improving their productivity and for upgrading the jobs open to them. This policy statement concentrates on such measures.

Training and Jobs for the Urban Poor was prepared by a subcommittee under the chairmanship of Charles Keller, Jr., who contributed firsthand knowledge of the subject as did the other members of the subcommittee. Lyle C. Fitch, who has wide experience in the field of job training, acted as Project Director. The members of the subcommittee and its advisors are listed on Pages 5 and 6. On behalf of the Research and Policy Committee, I want to express appreciation to Mr. Keller, Mr. Fitch, and the subcommittee for their valuable contributions.

Emilio G. Collado, *Chairman*
Research and Policy Committee

1.
Introduction and Summary of Recommendations

During the first half of the 1960's the nation became aware that in the midst of general affluence there were areas of poverty so large and persistent that they could not be attributed to temporary aberrations in the economy or to shiftlessness of the poor, but only to defects in the economic and social structure itself.*

Although poverty, as officially defined, has been decreasing during recent years in the country at large, in 1968 there were still 25.4 million persons "in poverty"[1] of whom about half lived in metropolitan areas. Of the total, approximately two-thirds were whites and one-third nonwhites but the percentage of blacks in poverty (about 32 per cent) was over three times that of whites (10 per cent), and the percentage for Spanish-Americans, who are mainly counted as whites, was even higher than for blacks. Out of the total number of poor, about 10.7 million (42 per cent) were children under 18.[2]

Poverty in recent years has stemmed primarily from the country's rural areas, particularly those in the South, where it historically has been

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1/Reference to the Social Security Administration's definition of poverty; the poverty threshold in 1969 for an urban family of four was an income of about $3,700.

2/U.S. Bureau of the Census, Current Population Reports, Consumer Income Series P-60, No. 68, December 31, 1969.

*See Memorandum by MR. PHILIP SPORN, page 68.

widespread and chronic. In the great migrations from rural to urban areas during the war and postwar periods, poverty migrated along with the people. A subculture of poverty began to be recognized in urban areas. It was characterized by alienation from the values and living patterns of middle-class America, difficulties in meeting middle-class educational standards, and failure to link advancement with personal effort and education. For blacks, Spanish-speaking Americans, and other disadvantaged minorities, these cultural disabilities have been reinforced by widespread white prejudice and discrimination, which has helped keep disadvantaged groups in the worst schools, the worst housing, and the worst jobs.

It is now clear that a major cause of poverty in urban areas is chronic unemployment and underemployment.* This policy statement** explores ways of abating poverty that arises from this condition, considers current manpower training and employment programs, especially as they affect the urban poor, and makes a number of recommendations for strengthening and improving them. Relieving poverty through welfare programs is dealt with in a recently published companion statement, *Improving the Public Welfare System.*[1]

The Committee is also concerned in this document with increasing the productivity of the national economy by making the labor force as a whole more productive and utilizing it more fully.*** Unemployment and underemployment, aside from their impact on the individuals concerned, are a continuing drag on the national economy. If, for example, the productivity, employment, and wage rates of blacks had been commensurate with those of whites in 1968 the national income that year would have been approximately $34 billion higher.

Manpower as a Productive Resource

The extent to which "manpower" and "human resources" have replaced the term "labor" in referring to the role of human beings in production symbolizes a dramatic recent change in concepts about that role and how it is affected by public policy. As a productive resource, manpower has several peculiar properties:

1/*Improving the Public Welfare System,* a Statement on National Policy by the Research and Policy Committee, Committee for Economic Development, New York, April 1970.

*See Memoranda by MR. C. WREDE PETERSMEYER and by MR. PHILIP SPORN, pages 68 and 69.

**See Memorandum by MR. ALLAN SPROUL, page 69.

***See Memorandum by MR. PHILIP SPORN, page 69.

First, unlike most natural resources, manpower is wasted if not used. This fact was dramatically demonstrated by the close association of the large-scale unemployment of the Great Depression and the decline of the gross national product.

Second, labor is an overhead cost of society whether workers are employed or not, since they and their families must be maintained somehow. This reality underlay the variety of income-maintenance legislation initiated during the Depression, including unemployment insurance, social security, and public welfare.

Third, the productivity of a nation is closely related to the accumulated education and skills of its labor supply.[1] For example, skilled and disciplined work forces were one of the main factors (along with U.S. aid) which enabled the war-ruined German and Japanese economies to recover and grow so rapidly in the post-World War II period. By contrast, countries with uneducated and unskilled populations have grown slowly, if at all, even when they had substantial development assistance from the United States and other industrial nations.*

Recognition of such facts has been one of the main roots of national manpower policy in the United States. Other roots include establishment of public schools, vocational training and land grant colleges, remedial education for immigrants, and measures for protection of workers and improvement of working conditions.

Clearly the penalties for the continuation of poverty arising from unemployment and underemployment will increase as time goes on. Some may involve only going without badly needed things which could be produced by making better use of the labor pool. But some are the penalties imposed by poverty on society at large, beginning with the social maladies of poor health, alienation, crime, and civil disorders. These maladies show up primarily among those living in urban areas who are able to work but whose actual incomes are intolerably low because of chronic unemployment or intermittent employment, low wage rates, or a combination of both.

One way out of the poverty rut is training for better jobs, and the number of people needing training was estimated by the federal Inter-Agency Manpower Planning Task Force at 11 million in 1968. Of these, some 3 million lived in urban slums, about 4.5 million were black or Spanish-speaking Americans, one-half were women, and about 4 million

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1/See Frederick Harbison and Charles A. Myers, *Education, Manpower and Economic Growth* (McGraw-Hill, 1964).

*See Memorandum by MR. PHILIP SPORN, page 70.

were youths under 21.[1] By comparison, the total number of training opportunities in major remedial programs in 1968 was in the magnitude of 350,000–400,000.[2]

Unfortunately a large proportion of jobs open to those without some form of training carry wages inadequate to support even small families above poverty or near-poverty levels. Other characteristics of such poorer or "secondary" jobs include instability and lack of opportunity for advancement, but low pay is the most important one. It appears that workers themselves in 1968 considered the dividing line between good jobs and secondary jobs to be in the range of $2.00-$2.50 an hour. By comparison, nearly 23 per cent of New York City workers earned less than $2.00 an hour in March 1968. With the gradual disappearance from central cities of primary-type jobs that might be filled by unskilled in-migrants, the jobs remaining for the unskilled are predominantly secondary.

National manpower policy has gradually been taking shape in the United States over the past four decades. It was only in the 1960's, however, that major emphasis was given to the problems of the uneducated and unskilled, many of whom had migrated or were still migrating to urban centers, especially from rural areas in the South.

The national Manpower Development and Training Act (MDTA) of 1962 established a nationwide program of occupational training for unemployed and underemployed workers. The Economic Opportunity Act of 1964 established other training programs. These two pieces of legislation, along with several other measures, set in motion a wide variety of training programs, which are discussed in Chapter 3. These have been both *institutional*–where training is done by specialized training institutions, public or private–and *job related*–where employers provide training either through special programs or through the medium of experience gained while working.

The need for remedial training, including training to update or replace obsolescent skills, stems in part from deficiencies of the existing public school system (including vocational schools), in part from the gradual disappearance of unskilled jobs, and in part from the changing needs of employees in an economy which itself is rapidly changing. Improvement in public education over time can alleviate much of the need for special remedial training.*

1/*Manpower Report of the President,* January 1969, pp. 141-2. Some of the listed categories overlap.

2/Figure excludes Neighborhood Youth Corps positions numbering approximately 538,000 in fiscal 1969, shown in Figure Two, page 37.

*See Memorandum by MR. ROBERT R. NATHAN, page 70.

The field of manpower policy, in which training and jobs are central, is relatively new to the United States. Programs therefore lack accumulated knowledge of theory and data on "what works and what doesn't" to make possible consistently well-informed decisions about manpower policy. A decade of experimentation, however, has greatly enlarged and strengthened the foundation of concepts and institutions on which to build. In a move which promises to have important long-range consequences, the Nixon Administration has undertaken to shift primary responsibility for planning and administering manpower development programs to the states and localities. This move will necessitate overhauling drastically administrative machinery at both state and local levels.

Because of its complex and evolving nature, manpower development does not lend itself to blueprints or to master plans. In the framework of the changing economy, broad policy directions with flexible guidelines are necessary to permit rolling adjustments to new conditions as they develop.

Summary of Recommendations

The statistics we have presented earlier indicate that the need for remedial training far exceeds the number of training opportunities made available up to now. **We urge the continuation of special remedial and job training programs for the indefinite future. Although we do not attempt to define precisely the amount of the effort, nor its place in the scale of national priorities, we believe that an increased manpower development effort should have priority over a reduction of taxes.***

Special attention and possibly major policy changes are required to combat the high rate of unemployment among young people, particularly the disadvantaged. Among the needs of young people are early opportunities to observe various occupations, better information concerning career choices, continuing vocational guidance, opportunities for combining school and work, freedom to leave school early in order to take jobs (for those who feel they do not benefit from classes), job opportunities for these dropouts, and much patience with unstable students. **Also needed are ways of motivating young blacks and other minority group members to view employment as a source of satisfaction.**** A recent New York City survey found that black high school graduates have lower expectations from work as a source of satisfaction than do

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*See Memorandum by MR. PHILIP SPORN, page 70.
**See Memorandum by MR. THOMAS B. McCABE, page 71.

white middle-class students, and that a majority of the blacks look upon work chiefly as a means of survival.

Special attention should also be given to the provision of more adequate training for those in penal and correctional institutions. Only a small percentage of this group, which numbers about 1.5 million at any given time, receives any significant training, particularly training which enables them to find legitimate and useful jobs when they are released.

Training should be regarded as a phase in a larger system of continuing education, whereunder opportunities for vocational advancement that increases adaptability to take other jobs, and cultural enrichment beyond the period of formal schooling will be afforded to all. A corollary of this recommendation is that special training for jobs should not be limited to "one-shot" efforts designed to get trainees into entry-level jobs; it should be designed as well for career development and movement up career ladders.

INSTITUTIONAL AND ON-THE-JOB TRAINING

Remedial training to assist the disadvantaged into the economic mainstream should include both training by specialized institutions and on-the-job training, and should be directed at both public and private employment. Each type of program meets particular needs which cannot well be duplicated by the other.

Because the need for remedial training arises primarily from the failures of the regular education system, we believe that development of general training programs outside the regular system should continue to be supported until such time as the public and vocational schools themselves demonstrate the capacity to perform adequately in educating the disadvantaged. In some cases, special "skills centers" have done much better with disadvantaged youth than have vocational schools, even though they have drawn on many of the same resources. **Development by private firms and public bodies, including the school system, of innovative technology and learning techniques should also be further encouraged.***

INCENTIVES FOR BUSINESS PARTICIPATION

We recommend that participation by private firms in offering special training-and-jobs programs for disadvantaged workers continue to be assisted financially by government as it has been under the Job Opportunities in the Business Sector (JOBS) program.

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*See Memorandum by MR. ROBERT R. NATHAN, page 70.

Financial incentives for training and hiring hard-core workers should be provided to business under special contracts rather than by tax incentives that go beyond those already provided by the corporate income-tax structure. The level of incentive payments should depend upon the amount of employer participation desired, with the proviso that they should not encourage the substitution of subsidized for already-employed unsubsidized workers. In addition, the contract process should be simplified, and detailed specifications pared down, with the objective of making contracts for training easier to negotiate and more attractive to business firms. Participation by small firms in training consortiums should be further encouraged and simplified.

This set of recommendations arises from our conclusion that contract subsidies can be a sharper tool than tax incentives for inducing business to train and employ the hard core, and lend themselves to better administration. At the same time, we hope to alleviate the complaint of many employers that the process of negotiating and carrying out training contracts is unduly complicated and dissuades many companies from participating. We also suggest that similar plans for subsidized on-the-job training programs be developed for employment in public and nonprofit agencies such as hospitals, parks, day care centers, and the like.

FEDERAL VERSUS STATE-LOCAL GOVERNMENT RESPONSIBILITY

The federal government has been chiefly responsible thus far for initiating and financing manpower programs. In the main, institutional programs have been organized and administered by a variety of local agencies—community action programs, school systems, and numerous others. State employment security agencies have cooperated to some extent, though in most states they have been indifferent or reluctant. The administrative record at all three levels has been less than gratifying. There is also much room for improvement of the administration of on-the-job training programs, as in the simplification of the process of contracting with employers. One of the main deficiencies, at all levels, has been the lack of systematic, national manpower planning.

In realigning the responsibilities of the three levels of government, we believe that the federal government should continue funding all, or nearly all, the cost of manpower development programs for the disadvantaged. Also, the federal government should take the lead in developing national manpower plans aimed at providing the kinds of education and

skills that will be needed by the economy in the 1970's. We concur in the objectives of pending federal legislation to put greater responsibility on the states and localities in carrying out these plans, but recognize that this will require administrative improvement and better trained personnel.*

Within guidelines established by the federal plan, state and local agencies should have responsibility for planning and administering manpower development programs. However, because many state and local governments lack capacity either for planning or for vigorous administration, the federal government should retain responsibility for reviewing and approving those state and local manpower development plans which will be federally funded, and of monitoring the administrative effectiveness of ongoing programs. Finally, the federal government should be prepared to take the initiative in establishing manpower development programs in regions that are incapable of providing their own.

In carrying out their responsibilities for administering national manpower programs, state governors should redirect and reorganize state employment security agencies better to equip them for a central role in administration of manpower development programs. The employment security agencies, with some 2,000 offices and 60,000 personnel, should make much greater contributions to manpower development than most of them have to date. To do so, however, these agencies need an overhauling of leadership and direction; divisions which can concentrate on program planning and coordination; better trained personnel; funds for manpower program administration; and federal guidance and incentives.**

Even if state governments assume larger manpower roles, the big cities and metropolitan areas will inevitably continue doing most of the work in program planning and administration in their own areas. Much of this work in recent years has been under the Concentrated Employment Programs run by community action agencies. With some exceptions, these programs for various reasons have not been very successful in assuring effective training or enlisting the cooperation of employers.

In the metropolitan areas and in the larger cities, manpower development units, professionally staffed, should be established to plan and implement manpower development programs. Preferably, local action should be carried out in a framework of state plans and programs, but large urban areas, where the problems are most acute, should not have to wait on states.

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*See Memorandum by MR. PHILIP SPORN, page 71.
**See Memorandum by MR. ROBERT R. NATHAN, page 72.

Experience with MDTA and other manpower programs calling for federal-state-local collaboration indicates a need for better trained administrative and technical personnel at all levels, along with better data and research on which to base programs. Manpower agencies, including state employment services, require persons with specific training in manpower administration and related fields. At present, little systematic training is offered in colleges and universities. **We therefore urge that the federal government and the states promote the establishment of educational and research programs in manpower administration and related fields in selected universities, community colleges, and other appropriate institutions.**

IMPROVING LOW-GRADE JOBS AND ADVANCEMENT PROSPECTS

Part of the problem of poverty and near-poverty lies with low-pay jobs which are considered to lead to nothing better, and which dull workers' incentives and make for worker instability. The conventional approach to the problem has been to increase minimum wages.

Although under the existing system of minimum wages there may be a case for adjusting the rates to take account of rising living costs, we question the concept of raising minimum wages with the specific objective of eradicating poverty. This would tend to restrict rather than expand jobs, thereby harming some in the process of helping others. Given the existence of minimum wages, we suggest that some differentiation in rates be made for the below-20 age group, the aged, and the partially disabled to avoid the real danger that employers will refuse to hire inexperienced or otherwise less productive workers at wages as high as those required for the more experienced and able.*

The secondary job market can be upgraded, first by improving the upward mobility of employees, and, second, by improving the jobs themselves. **We believe that an important new direction to be pursued by national manpower policy is improving low-grade jobs and job prospects, thereby increasing the mobility of employees. This approach requires:**

1. **Reducing the pervasive rigidities and discriminatory practices which weigh against the poor, the unskilled and the uneducated, and minority groups in general.**

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*See Memoranda by MR. GEORGE C. McGHEE, by MR. ROBERT R. NATHAN, and by MR. R. STEWART RAUCH, Jr., pages 72 and 73.

2. Greater cooperation between employers and community educational systems.

3. Systematically undertaking to improve the prospects of workers in what are now less desirable jobs by such measures as changing job specifications to eliminate irrelevant qualifications, revising job definitions and where possible giving duties previously performed by highly trained professionals to less trained paraprofessionals, and encouraging employers to recast their own job structures to provide lines of promotion.

4. Systematic research on means of increasing productivity in the low-paid service and other industries so as to enable raising wages without increasing inflationary pressures.

JOB OPPORTUNITIES FOR ALL

The crisis of the poverty population, and the more general concerns of the national welfare, require that all who wish to work have access to job opportunities at wages commensurate with productivity, or access to training opportunities which lead to jobs.[1] While this goal cannot be achieved overnight, or at all times, it should be a continuing objective of manpower development policy.*

Achieving the objective of an adequate number of job opportunities will require continuing and intensifying the work already in progress to improve the labor market and information on job openings as well as more intensive and effective training programs. **Federal and state agencies should collect for each local labor market area, and make regularly available, data on job openings and on the composition of both unemployed and underemployed in the labor force. We believe that much more can be done to acquaint residents of central city poverty areas in metropolitan centers with job opportunities outside the central city, both by private-employer recruiting efforts and by state employment services, and that high priority should be given to transportation improvements needed to widen the job opportunities of ghetto residents.** Eventually it will also be necessary to provide a substantial increase in open housing for low-income families in suburban areas where they can live within reach of manufacturing jobs.

1/ *Fiscal and Monetary Policies for Steady Economic Growth*, a Statement on National Policy by the Research and Policy Committee, Committee for Economic Development, New York, January 1969, p. 28.

*See Memorandum by MR. GEORGE C. McGHEE, page 73.

Along with a policy of appropriate job opportunities for all should go measures to increase incentives to take jobs. In particular, public welfare assistance programs should provide work incentives for all who qualify for public assistance by allowing them to keep a substantial proportion of income earned, up to a cutoff point.

Providing appropriate job opportunities for all who wish to work does not mean that unemployment can or should be reduced to zero. Even when high employment is reached and maintained, some frictional unemployment is bound to exist, especially for those lacking skills and training to match job openings at any given time. It should be added that in this statement the Committee does not deal with cyclical unemployment of those regularly employed. Ways of dealing with recessions have been elaborated in a number of other CED policy statements on fiscal and monetary policies for stable economic growth.

NEW ADMINISTRATIVE MACHINERY

The work-opportunity principle which we have endorsed, and the public welfare reforms recommended in the policy statement on *Improving the Public Welfare System,* complement each other and are intended to be mutually reinforcing. This will be the case if opportunities for training and work are made available for all who are potentially able to work through institutions which can supply such opportunities as well as a wide range of related manpower development services.

Although manpower programs and institutions have proliferated in recent years, there are no existing institutions designed to carry out this function or capable of doing so. **We therefore suggest experimentation with a new type of public or nonprofit corporation which would undertake to provide training and jobs for marginal and hard-core workers.** We refer to it, for convenience, as a Jobs Corporation.

In addition to providing a full range of services, the Corporation would differ from existing institutions in several ways: (1) clients would be considered employees; (2) significant jobs would be sought for all clients (except incorrigibles); (3) its program would replace in part other forms of public assistance.

At least three sources of jobs could be developed: "regular" jobs in the public and private sectors; peak-season, special and emergency work with public agencies and private firms; and needed public services which would not otherwise be undertaken.

The Corporation program might be financed largely by drawing on funds which would otherwise be needed for public assistance and for other manpower development programs. These funds could be made available with only small changes in existing legislation. Boards of directors, of nine to twelve persons, might include local members of the National Alliance of Businessmen (NAB) or other business representatives, public personnel officers, labor union officials, and representatives of client groups.

While we believe that this kind of organizational device has considerable potential usefulness, we feel that a period of experimentation and demonstration would be helpful before it is launched full-scale. There are several reasons for our choice of the corporate form for such an institution as against a more conventional public agency: more flexibility in personnel management; freedom from the red tape that all too often bogs down government operations; and the scope it offers corporate employers to combine their abilities and efforts in manpower training, as NAB employers already have done in a number of cities.

We recommend that the federal government encourage establishment of experimental Jobs Corporations in several communities, with an annual allocation of approximately $100 million (drawn from manpower development, public assistance, and related appropriations) for the purpose of an initial demonstration period of three to five years. This amount would provide for start-up costs and for hiring approximately 10,000-15,000 marginal workers per year. Costs per employee would vary widely, depending on the special services needed by the employee, the amount of time spent in training, and the type of post-training employment. Cost estimates cover such items as basic wages, family supplementation (already granted in work incentive programs), training costs, remedial health services where needed, day care where needed, transportation costs where necessary, counseling and other special services, and corporation overhead. All these cost items, including overhead, are already involved in present welfare, training and jobs programs.

2.

Poverty and Employment

The economic development patterns of the cities to which the poverty-prone came in the great postwar migrations compounded the difficulties of the migrants. As they were moving into the central cities (while middle-class whites moved to the suburbs), many of the jobs former in-migrants had filled were being moved to the suburbs or being eliminated by automation. The employment which is now expanding in central cities is in office jobs encompassing a wide variety of ancillary clerical occupations and of professional and managerial positions, many of which require skills of a high order. From a large proportion of these jobs the in-migrant to the cities and his descendants are excluded for want of education and skills, by widespread though illegal discrimination, or by manifestations of prejudice, such as hostility of supervisors and fellow workers, with which no law can cope.

Though the migration of minority groups was tapering off by the end of the 1960's and though greater numbers of their members were moving from central cities to suburbs, the concentration of blacks and

other minority groups in cities promises to continue. The report of the National Advisory Commission on Civil Disorders projected that by 1985 thirteen of the nation's largest cities would be predominantly black.[1]

Employment and Incomes in Large Cities

This statement, as we have indicated earlier, is concerned primarily with those living in urban areas who are able to work but whose actual incomes are intolerably low because of chronic unemployment or intermittent unemployment, low wage rates, or a combination of both. This population includes the groups commonly referred to as "disadvantaged," "hard core," "ghetto," and "minority." And within these groups many families have total incomes below the poverty threshold, approximately $3,700 a year for a family of four.

Though the majority of poor were white, the incidence of poverty was heaviest in black and other minority groups. The Bureau of the Census reports that in 1967, in the central cities of metropolitan areas, the number of poor whites (4.7 million)[2] exceeded the number of poor Negroes (3.5 million) by about 35 per cent. But the proportion of Negroes who were poor (30 per cent) was three times that of whites (10 per cent).

About 30 per cent of poor white families, but only 11 per cent of poor Negro families, were headed by persons over 64 years old. In the under-65 group, 60 per cent of poor white families were headed by males and 40 per cent by females; with Negro families the proportions were reversed—62 per cent were headed by females and 38 per cent by males. These figures indicate that a relatively high proportion of white poverty is associated with age, and a relatively high proportion of black poverty is associated with fatherless families.

The number of people in poverty has been decreasing in the past few years, thanks largely to the economic boom and growth of job opportunities. The number of urban poor families in metropolitan areas fell by about 28 per cent between 1959 and 1967 and by about 11 per cent more between 1967 and 1968. By 1969 the great majority of presumptively able-to-work were actually working, at least part-time. There

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1/New York Times Edition (paperback), 1968, p. 391.

2/Unfortunately, available data do not provide a breakdown of poor whites by origin or ethnic groups. Two such groups with a high incidence of poverty are the so-called Appalachian whites and the Spanish-Americans.

have been many central city jobs which could be filled by unskilled and uneducated people. However, they were predominantly the "secondary" jobs characterized by low wages, minimum opportunity for advancement, and general instability.

Employment and income data for the poor areas of six cities—Atlanta, Chicago, Detroit, Houston, Los Angeles, New York—for the period July 1968-June 1969 (Figure One, pages 24-25), show that:

- There are in each city many people who want jobs but for various reasons are not actively looking for jobs. The most common reasons given were: males—health; females—family responsibilities and health.
- The majority of the poor in the age brackets who might reasonably be expected to be in the labor force in fact were in it, and a fairly high proportion were employed.
- The proportion in the labor force of female family heads—a source of concern because they account for a large proportion of the recent bulge in welfare rolls—was nowhere less than 49 per cent and in two cities was over 70 per cent.
- The number of teenagers reported to be in the labor force indicates that roughly half prefer work to education, though other evidence reveals that their attachment to the labor force is not very strong and their work attitudes tend to be casual. Unemployment rates were generally very high.
- The proportion of families of four or more with total incomes below $3,500 ranged from 15 per cent in Los Angeles to 23 per cent in Atlanta, compared with the poverty threshold for a family of four of about $3,700.
- The proportion of four-person families with incomes of less than $5,000 ranged from 31 per cent in Los Angeles to 41 per cent in Atlanta. Nearly all these families therefore were in poverty or near poverty.

With the odds as heavy as they are against obtaining an adequate income or satisfaction from work, it is not surprising to find some urban ghetto dwellers seeking satisfaction in street life—a life style where one looks to one's street companions rather than to one's job and home for satisfaction. There are a number of alternative sources of income to sup-

FIGURE ONE / Employment and Income Data for the

PEOPLE IN THE LABOR FORCE AND UNEMPLOYMENT RATES

	Atlanta	*Chicago*	*Detroit*	*Houston*	*Los Angeles*	*New York*
MALE HOUSEHOLD HEADS, 20-64 YEARS						
Per cent *in labor force*	91	92	87	93	88	88
Unemployment rate	2	2	6	3	4	4
FEMALE HOUSEHOLD HEADS, 20-64 YEARS						
Per cent *in labor force*	71	50	52	77	49	53
Unemployment rate	9	7	13	5	12	5
ALL INDIVIDUALS, 16-19 YEARS						
Per cent *in labor force*	62	53	61	56	47	45
Unemployment rate	29	31	36	30	32	25

WHY PEOPLE WHO WANT JOBS ARE NOT LOOKING FOR WORK: PRINCIPAL REASONS OFFERED BY THOSE NOT IN THE LABOR FORCE (IN PERCENTAGES)

	Atlanta	*Chicago*	*Detroit*	*Houston*	*Los Angeles*	*New York*
MALES OVER 15						
Retirement, old age, or school	29	46	33	39	47	41
Health	47	36	40	35	37	41
FEMALES OVER 15						
Retirement, old age, or school	14	13	13	15	16	13
Health	30	29	28	22	27	31
Family responsibilities	29	38	33	31	34	41

Poor Areas of Six Cities July 1968—June 1969

EMPLOYED PERSONS EARNING LESS THAN $100 PER WEEK (IN PERCENTAGES)

	Atlanta	*Chicago*	*Detroit*	*Houston*	*Los Angeles*	*New York*
ALL PERSONS WITH EARNINGS						
Male: $ 0-64	22	11	15	21	10	12
$65-99	37	22	14	36	21	37
Female: $ 0-64	63	30	48	72	33	30
$65-99	27	43	31	20	43	47
PERSONS EMPLOYED FULL TIME						
Male: $ 0-64	12	6	7	12	3	7
$65-99	41	22	13	38	22	38
Percentage of all persons with earnings	78	86	79	81	82	87
Female: $ 0-64	50	22	33	62	19	16
$65-99	35	46	38	26	52	55
Percentage of all persons with earnings	65	78	66	67	79	65

FAMILIES OF FOUR OR MORE RECEIVING LESS THAN $5,000 PER YEAR (IN PERCENTAGES)

	Atlanta	*Chicago*	*Detroit*	*Houston*	*Los Angeles*	*New York*
Annual Money Income						
$ 0-3,499	23	18	19	21	15	18
$3,500-4,999	18	14	13	17	16	18
Below $5,000	41	32	32	38	31	36

Source: U.S. Department of Labor, POVERTY AREA PROFILES, *Urban Studies Series 13, October 1969.*

port such a life style: working part time (though mainly in the poorer, or secondary, jobs), unemployment insurance, training programs, welfare (frequently utilized in ways not contemplated by welfare legislation), and "hustling," a term which covers a variety of illicit activities.

The typical marginal worker may drift from one income source to another, depending on his own convenience and inclination, and perhaps on the fluctuating pressures exerted by the forces of law and order. Even when he is working, work seems of secondary importance, to be skipped rather casually when other demands or inclinations intervene. Not surprisingly, absenteeism and tardiness are the most common complaint of employers who seek to provide jobs for the hard-to-employ.

There is accumulating evidence that many "disadvantaged" males in their late teens and early twenties have relatively little interest in a regular income for which they must work steadily. They tend to work only enough to get by. In this, "disadvantaged" youths tend to emulate middle-class youths, whose long education period combined with parental support relieves them from the necessity of the daily job grind.[1]

A study of applicants for Neighborhood Youth Corps (NYC) positions in New York City found that the black high school applicants have much lower expectations from work as a source of intrinsic satisfaction than do white middle-class high school and college students and black college students. A majority of the black high school applicants are likely to be pessimistic about their opportunities in life and to suffer from low self-esteem. Experience with a succession of menial, low-paying, and insecure jobs further reinforces the poverty-class black youngster's attitude toward the world of work and his place therein.[2]

Women in poverty groups are likely to be heads of households which have never had male heads or from which males have deserted. Many depend heavily upon public assistance, mainly from the Aid to Families with Dependent Children (AFDC) program.[3]

It is easy to overgeneralize from observations of such attitudes and behavior patterns, and to assume that they are characteristic of low-income people and ghetto residents generally. On the contrary, available evidence suggests that adult ghetto residents are very largely middle-

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1/See Edwin Harwood, "A Tale of Two Ghettos," *The Public Interest*, Fall 1969.

2/See *A Study of the Meaning, Experience and Effects of the Neighborhood Youth Corps on Negro Youth Seeking Work: A Summary of Major Findings*, New York University Graduate School of Social Work, Center for Study of the Unemployed, May 1968, pp. 12-14.

3/Adding to the disadvantages of poor women is a rate of unemployment much higher than that of males and less opportunity to obtain unskilled but high-paid jobs, most of which require physical strength and endurance.

class in outlook toward work, education, and aspirations for their children. If their voices are muted, it is because they are intimidated by an articulate minority of militants who get the lion's share of attention from the media and thus tend to be regarded as typical of the rest of the community.[1]

One test is simple diligence. A large proportion of the able-to-work poor and near-poor, estimated in various cities at around 78-86 per cent of males and 65-79 per cent of females, are steadily employed. Their poverty stems from low wages and outsized families, rather than from negative work attitudes or voluntary unemployment. Their values and attitudes, if not their incomes, lean toward the middle class. One aspect of growing "middle classness" is the insistent demand in large-city ghetto communities for better schools, and the rising protests against the inadequacies of existing school systems.*

The problems of educating the "disadvantaged" child are being studied by the CED Subcommittee on Education for the Urban Disadvantaged. Here it may be noted that in reading ability and other skills, the slum child when he enters school is usually years behind the middle-class child, and the gap grows as he moves on through his educational training. In the evolving job market these deficiencies become increasingly serious, for most new jobs require at least a certain degree of literacy and grasp of mathematical skills.

The able-to-work poor need opportunities to move up to "primary" jobs which offer relatively good pay, stability, and chances of advancement. Workers may be excluded from primary jobs by one or more of the following factors:

- Lack of education and training. This is the source of the largest disparity among individual earnings; low earnings are almost always associated with low educational and skill levels.

- Racial and ethnic discrimination, still a dominant deterrent to entry in many occupations.

- Lack of work discipline. Absenteeism, tardiness, and other manifestations of lack of interest in the job are the most common complaints of many employers about "hard-core" workers; with many employers this deficiency ranks higher than lack of skills.

1/See, for example, Nathan Glazer in *Race Relations in New York City in 1969*, a manuscript prepared for the Institute of Public Administration, Fall 1969.
*See Memorandum by MR. CHARLES P. TAFT, page 74.

- Lack of information about and access to such primary-type jobs as can be filled by unskilled labor. These are mainly manufacturing and other goods-handling jobs which over the past several decades have been moving to the suburbs.[1]

- Young children to care for, an obstacle not only to female heads of households but also to many other women in families that need a second income.

- Police and prison records. At any given time, there are about 1.5 million persons in the country's penal and correctional institutions. Most are uneducated and unskilled; most have no opportunity to acquire any skills which might be useful to them when they are discharged.

- Other personal circumstances and conditions, such as alcoholism, drug addiction, and physical or mental disability.

- Lack of promotion opportunities for those already employed in secondary jobs.

All such obstacles are the proper concern of manpower policy in the large. They all have to do with the productivity of individuals and hence the productivity of the entire economy. As noted earlier, the number of persons for whom training is essential to get out of the poverty rut was estimated at 11 million in 1968 by a federal manpower planning task force.

The Drag of Secondary Jobs

The drag on the productivity of the work force which results from unemployment and underemployment is not attributable solely to the supply side of the labor market—the workers. It has also to do with the demand side—the large proportion of jobs that pay wages insufficiently high to support even small families above poverty or near-poverty levels. The marks of poorer or "secondary" jobs are low pay, instability, lack of opportunity for advancement, unpleasant working conditions, and unfair or unsympathetic supervision. In effect, welfare, "hustling," and other ways of "making out" compete with the secondary jobs that are associated with poverty.

1/See John F. Kain, "Housing Segregation, Negro Employment, and Metropolitan Decentralization," *Quarterly Journal of Economics*, May 1969.

Because of the number of variables which make up the difference between a "good job" and a "poor job," it is difficult to draw a sharp line between primary and secondary; they are, in any case, the opposite ends of a spectrum rather than two sharply defined categories. Wages are the most important criterion, yet there are not even up-to-date wage data in most labor market areas.

Some insight may be gained by the response of workers to questions asked in a study of the people in Boston who were referred to jobs through the Concentrated Employment Program (CEP), launched in 1967. This study showed that turnover in jobs paying more than $2.00 an hour was considerably lower than that in jobs paying less than $2.00 an hour. This and scattered other data suggest that the wage threshold of secondary jobs is in the range of $2.00-$2.50 an hour. By comparison, nearly 23 per cent of the New York City workers earned less than $2.00 an hour in March 1968.[1]

Types of secondary employment range from casual day labor, with hiring through an informal street corner shape-up, to steady jobs in a low-wage but stable industry. Jobs may be secondary for a number of reasons having to do both with conditions in employer-firms and with workers; these are described in Appendix I.

Secondary Employment in Large Central Cities

We have seen that the primary-type jobs that might be filled by unskilled workers have been moving away from the central cities. Remaining for the unskilled are the secondary jobs which appear to be especially prevalent in large cities. Secondary jobs are common in food handling and hotel service industries, lower-grade hospital services, building maintenance services, and some branches of manufacturing and retail trade. In some seasonal industries, the effect of low hourly rates is magnified by intermittent part-time work during slack periods. This is the case in several New York City textile and apparel industries and a number of service fields surveyed late in 1968.

1/Data supplied by New York State Department of Labor. Data are for straight-time hourly earnings. In 89 occupations in five manufacturing industries 24 per cent of workers received $1.70 an hour or less; 53 per cent received $1.90 an hour or less. The industries surveyed were: toy and game manufacture, handbag and purse manufacture, fabricated textile products, shoe and house-slipper manufacture, costume jewelry and novelties.

Even in the ever-growing office industries many jobs lean toward the secondary side. These are low-level back-office jobs, such as filing, keypunch operating, messenger service, routine typing, etc. Many such jobs still pay under $2.00 an hour, even in high-cost New York, and are handled predominantly by single women or married women whose husbands are also employed. Even in large insurance companies, clerical salaries are likely to be in the $85 to $125-a-week category. Again the jobs are held largely by females.

Where jobs do not provide the wherewithal to support families, they militate against forming stable families where males can play the role of visible breadwinner and provide examples of success for their children. The welfare system offers a way out: fathers can desert their families, at least ostensibly, so that mothers can apply for AFDC welfare assistance, and hence increase total family income. There is some evidence that many have been doing exactly that.

On the female side, the lower the pay the less advantage there is in working, even though many female heads of households would prefer working to being continuously shut up in slum housing with their families. The problem is not one only of personal preference but also lack of day-care facilities which could free women to take jobs.

3.

Evolution of a National Manpower Policy

Over the last four decades a national manpower policy gradually has been taking shape in this country. In the 1930's the great problem was large-scale unemployment, which was attacked on many fronts. In the 1940's manpower policy concentrated on mobilizing the entire labor force for the war effort, and after the war, on training and reabsorbing the war veterans. In 1946, the Congress passed the historic Employment Act, which for the first time committed the national government to a policy of high employment and economic growth. This broader concern dominated manpower policy during most of the 1950's until the launching of the first Soviet Sputnik shocked the nation into an evaluation of its educational system, and in particular the training of scientists and technicians.

Manpower policy took new directions in the 1960's; evolving programs reflected changing perceptions of problems and priorities. Early in the decade the matters commanding main attention were (1) the desperate condition of backward areas of the country, and (2) the rate of unemployment which prevailed during the latter 1950's and continued into the early 1960's.

Out of this recognition of things gone awry came several pieces of legislation. One was the Area Redevelopment Act of 1961, which emphasized stimulation of economic growth but which also had provisions for manpower training. Another, the Manpower Development and Training Act (MDTA) of 1962, established a nationwide program of occupational training for unemployed and underemployed workers. A third, the Vocational Education Act of 1963, aimed at providing fresh guidelines and increased funding for vocational education as an adjunct of the regular public education program.

The provisions of the MDTA were influenced by the view that workers displaced and not finding jobs due to the ongoing lag in the recovery of the economy needed retraining for the new technological age. Therefore the primary target of the legislation was family heads with work experience (three years), though a provision was included for training a limited number of youths in the age bracket 19-21. Emphasis was on institutional training, though on-the-job training (OJT) was included. Provision was made for training allowances linked to average levels of unemployment compensation in the several states and paid through local employment offices.

Congress had no sooner reached the point of appropriating funds for the MDTA program than the economy began to pick up momentum, and experienced workers were being called back. Youth unemployment was high, however, and youth quotas were increased to fill the places left vacant in MDTA by reemployment of experienced workers.

Training for the Disadvantaged

With the economic recession out of the way and labor markets gradually tightening, the nation turned its attention to the widespread areas of poverty discovered in the midst of its increasing affluence. The effect on manpower policy was to emphasize upgrading the productive capacities and the economic and social levels of the disadvantaged, an emphasis which has continued to the present.

The advent of the "war on poverty" came with the Economic Opportunity Act of 1964 and led to new programs funded by the Office of Economic Opportunity. One of these was the Job Corps, which concentrated on residential training for youths who might be benefited by being put in vocational boarding schools away from their old, presumably corrupting, environments. Another program was the Neighborhood Youth Corps (NYC), which sought a different objective: to induce young people to remain in school by providing them with part-time work, which would also give them some job experience.

The Economic Opportunity Act introduced another concept which later came to be important in the administration of training programs: the Community Action Programs, one objective of which was to give representatives of the poor a share in the planning and execution of projects affecting them. Employment and training activities under the aegis of community action programs took approximately 20 per cent of program funds expended during the first three years of the 1964 act.[1]

Accumulated experience with the problems of the disadvantaged brought about greater understanding of the elements required to meet the many handicaps of disadvantaged people. Partly as a result of this understanding, partly in response to the need for concentrated efforts and simplified administration, and partly out of the pressure to shift more responsibility onto representation of the disadvantaged, there emerged in 1967 the last major innovation in institutional training administration: the Concentrated Employment Program (CEP). In most CEP's the leading role in administration and planning went to local community action agencies.

All these measures brought a substantial increase in federal commitments to manpower programs. Appropriations more than doubled between 1961 and 1964 and more than quadrupled between 1964 and 1968. By 1969 the federal government was spending $2.1 billion a year on manpower programs, exclusive of the U.S. Employment Service.

1/The other major piece of legislation enacted during the 1960's was the Vocational Rehabilitation Act of 1965, which greatly increased federal support for the Vocational Rehabilitation Program originally established in 1920 and broadened it from a measure for the physically and mentally handicapped to a program for impairment due to "vocational, educational, cultural, social, environmental, or other factors."

Two other related pieces of legislation, not considered here, were: (1) the Elementary and Secondary Education Act of 1963, authorizing special assistance for school districts with high concentrations of school-age children, and support for innovative projects, library and instructional materials and research, and other programs; and (2) the Higher Education Facilities Act of 1963 and the Higher Education Act of 1965, providing aid for construction and improvement of college facilities and financial assistance to students along with other help.

Manpower Development and Training Programs

The original emphasis of MDT programs on retraining unemployed workers was quickly outdated by rising employment engendered by the economic upturn of 1963 and its acceleration in 1964 by the tax reduction and in 1965 by the Vietnam War. MDT's emphasis shifted at this point to preparing youth for entrance into the labor force.

MDT administration of institutional training has relied on projects rather than on setting up continuing programs. One set of projects was for multipurpose skills centers which could serve many types of trainees and provide counseling, free vocational training, basic education, a chance to choose intelligently among possible occupations and to receive skilled training for the chosen occupation. The skills centers required physical facilities which existing vocational schools could not provide; many centers took over unused factories, warehouses, and other buildings. The effect was to separate the centers from the existing educational establishment. The different environment of the centers was thought to be beneficial for those who already had failed in the public schools.

By the end of 1967, there were some 70-80 such centers, with nearly one-third of MDT's total institutional enrollment. The establishment and administration of these skills centers drew heavily on the resources of existing state and local vocational machinery. Among other things, instructors had to be certified and many of them provided from the ranks of vocational education; others were drawn from the trades and industries concerned. However, the skills centers have been rated more successful than the vocational schools themselves in training and placing enrollees. This can be attributed in part to the more interesting environment of the skills centers and to the greater freedom of administrators and instructors to devise and implement programs for the specific needs of disadvantaged trainees, and in part the needs of employers with unfilled jobs.

Concentrated Employment Programs

The CEP's are primarily administrative devices for coordinating community manpower programs and resources under single organizational sponsors, with funding through a single channel. Most CEP's concentrate on limited urban slum areas, but a few have been established in

rural areas. The selection of areas for CEP's was based, first, upon the amount of unemployment and underemployment in slum neighborhoods and, second, on an estimate of the local capability to operate a CEP. By late 1968 there were 76 in operation, 13 of these in rural areas.

A prototype CEP is sponsored by a local community action agency which has responsibility for planning and implementing the CEP in coordination with other agencies and planning groups. Another principal participant is the state employment agency, which provides recruitment, testing, and counseling services and assists in developing jobs for trainees.

By the fall of 1969, the concentrated employment programs were in limbo. The community action agencies, which organized and administered them, proved in many instances to be more effective in mustering community support and getting recruits than in planning and administration and in working with other manpower agencies and with local business organizations, including local chapters of the National Alliance of Businessmen (NAB). Another problem was that in some cases trainees were going back mainly into secondary jobs for which little or no training was needed in the first place.

On-the-Job Training

The Manpower Development and Training Act has on-the-job training and institutional training components. For several years, however, OJT languished while institutional programs such as the CEP were expanding and proliferating. The tendency of OJT programs was to select well-qualified candidates and thus exclude those believed to be hard-to-employ, for whom training would be expensive.

As time went on, pressures kept mounting both in the Department of Labor and in Congress, to expand OJT in preference to institutional training. There were a number of reasons for these pressures. First, OJT programs had proved to be less expensive per trainee than institutional programs. Second, much institutional training had the disadvantage that training experience did not lead directly to jobs and hence could not provide the same motivation as could training linked to an actual job. Third was the long-standing view that business is ordinarily more efficient in "getting things done" than is government.

The administration of OJT programs was reorganized in the Department of Labor, which began experimenting with contracting directly with private employers to recruit, train, and hire the disadvantaged. These

steps eventuated in the full-scale Job Opportunities in the Business Sector (JOBS) program inaugurated in 1968 in conjunction with the National Alliance of Businessmen (NAB), whose members would serve as the chief means of developing jobs. Following precedents of former OJT programs, the JOBS program incorporated a system of subsidies* (greatly increased over amounts previously offered) for recruiting, training, and employing "hard-core" workers.

Through January 31, 1970 total hiring had reached 380,000—25 per cent under government contracts. The NAB-JOBS program compiled a record of substantial success in recruiting and employing hard-core workers, many without the inducement of contract subsidies. For recruits covered by contracts, the more generous grants for training and supportive services raised the cost per recruit to levels considerably higher than the per-trainee cost under MDT institutional programs. The average cost for all recruits was only 41 per cent of the average cost of contract recruits, however.

Since the NAB-JOBS program has been the greatest organized effort by business and government to get marginal urban residents into the mainstream of American economic life via the route of on-the-job training, experience with the program affords some notion of the OJT potential. Program participation has been largely by firms with blue-collar work forces not in craft unions. There have been a few jobs in sales positions and a few clerical positions involving customer contact. High-participation industries include communications; electric, gas and sanitary services; electrical equipment and supplies; retail food stores; aerospace companies; primary metals; and fabricated metal products.

Conditions vary from city to city. In the Denver area, for example, most NAB-JOBS training programs of any consequence have been offered by manufacturing firms. Boston firms taking on MA-3[1] contracts in 1968 were more varied: three groups—manufacturing; retailing, banking and insurance; and services—each accounted for 23-24 per cent of the total. There has been strong participation by home-construction firms in Kansas City and San Antonio, and by dry-wall contractors and cabinet makers in Los Angeles. Banks have taken a leading role in some cities, among them Los Angeles, Chicago, New York, and Seattle.[2]

1/Refers to those contracts made mainly in 1968 by the Manpower Administration with the JOBS program.

2/These data have been taken from various unpublished studies made available by the Department of Labor. See also Arthur J. Salzman, "Manpower Training in Private Industry," Arnold R. Weber, Frank H. Cassell, and Woodrow L. Ginsburg, eds., *Public-Private Manpower Policies,* Industrial Relations Research Association, 1969.

*See Memorandum by MR. JOHN D. HARPER, page 74.

The fact that a tight labor market existed from the launching of the program until recently doubtless has been a principal factor in its success. Employers were induced to tap a labor pool which for various reasons they had previously ignored or avoided. Marginal workers could be employed without pushing the more skilled and experienced out of employment.

There are no data on the extent and intensity of formal training and on the types of skills acquired by recruits under the JOBS program. Some firms have instituted well-planned, elaborate programs. Available evidence, however, suggests that training offered in the majority of cases

FIGURE TWO / Data on Remedial Training Programs for Fiscal Year 1969

PROGRAM	*Federal Obligations (Millions of dollars)*	*Enrollment Opportunities (Thousands)*
MANPOWER DEVELOPMENT AND TRAINING		
Institutional	197	98
On-the-Job Training	56	68
CONCENTRATED EMPLOYMENT PROGRAM	114	127[a]
JOB CORPS	278	53[b]
NEIGHBORHOOD YOUTH CORPS		
In School	49	101
Out of School	122	50
Summer	148	387
JOB OPPORTUNITIES IN THE BUSINESS SECTOR *(Federally Financed)*	161	53
WORK INCENTIVE PROGRAMS[c]	110	99
OTHER	59	NA
TOTAL	$1,294[d]	

a. First-time enrollments during year.

b. Enrollments during year.

c. Financed by public welfare programs, primarily AFDC *(Aid to Families with Dependent Children).*

d. Excludes obligations for vocational rehabilitation and a number of other special programs with training components.

Source: MANPOWER REPORT OF THE PRESIDENT, *1970, Table F-1 and F-20.*

is only sufficient for entry-level performance. Costly initial training was discouraged in any event under the "front-end load" incorporated in the earlier Manpower Administration contracts, whereby costs are incurred early in the performance period and reimbursement is spread over the lifetime of the contract. Remedial education, vestibule training, and skills training tend to be concentrated early in the employee's job. This puts pressure on employers to screen candidates carefully with the hope of reducing turnover, to put the hard core into positions requiring relatively little training, and to minimize training costs. Another tendency has been for entry positions to become clogged with people who have little opportunity for advancement.

The Job Corps

The Job Corps program, not to be confused with NAB-JOBS, was one of the few institutional manpower programs in which private firms were heavily and successfully involved. Under this program boarding schools were established away from poverty environments of the trainees, where they could receive a full range of rehabilitative services and learn a vocation. After initial trials and errors, racial and other problems, the Job Corps became a fairly well-rated operation. It had considerable statistical success at least, and passing marks on benefit/cost and other evaluations.

Notwithstanding this record, the Job Corps was criticized because of the high cost per trainee stemming from the residential training feature. In 1969 this program was judged not to be of highest priority and was sharply cut back.

The Neighborhood Youth Corps

The Neighborhood Youth Corps (NYC), like the Jobs Corps, was set up under the Economic Opportunity Act of 1964. This program undertook two difficult tasks, with funds for the two divided about equally.

The first was to provide part-time employment to enable impoverished young people to continue or reenter school. For dropouts who showed no inclination to return to school, NYC was charged with helping "to develop their maximum occupational potential." One of the most compelling aspects of the first program has been summer employment to

absorb energies which might otherwise be devoted to less constructive activities like rioting.

The second purpose was to make the government an employer of last resort for youths unable to find employment in a competitive labor market. Unfortunately, many of the jobs were not very constructive and NYC policies frowned on placing enrollees with private employers on the ground that the program would be exploited to get low-wage labor.

Available data indicate that results of NYC have been mixed. Possibly its most important accomplishment was putting spending money into the pockets of youths and sustaining them through a difficult period until they are ready for employment and the job market is ready for them.

Administration

The various training and job programs just discussed encompassed a gamut of administrative arrangements. With MDTA programs, the federal government dealt largely with existing state and local institutions. With the CEP programs, it dealt directly with the local institutions, bypassing the states. With the NAB-JOBS programs, it dealt largely with private employers.

The foregoing discussion indicates perhaps a greater degree of administrative tidiness than actually existed. Implementing the new legislation involved expanding and redirecting many ongoing programs and establishing many new ones, in the course of which administrative machinery proliferated. In some local areas the complex of agencies and programs resembles several separate games being played at the same time on the same field with some players participating simultaneously in different games.[1]

1/A 1968 statement by the head of New York City's Manpower Career Development Agency, itself established to coordinate the city's manpower programs, emphasized the point:

> The city's present manpower effort is carried out by literally scores of public and private agencies and institutions. Although, presumably, all of these agencies and institutions have the same objective—the elimination, through programs or services, of those barriers which stand between the disadvantaged citizen and gainful employment—they operate as independent agents engaged in program development and operation within self-contained spheres of interests, frequently oblivious to the plans and activities of others engaged in virtually the same activity. . . . The cost of program operation is disproportionately high because of the proliferation of administrative units . . . duplication of services and waste of the limited number of suitable physical facilities that exist. . . .

City of New York, Human Resources Administration, Manpower Career Development Agency, *Opportunity Center System—Policy Statement and Program Plan,* 1968, p. 103.

At the top, federal arrangements were less than a model of administrative simplicity. Three major agencies—the Office of Economic Opportunity and the Departments of Labor and Health, Education, and Welfare—played the main roles in manpower development programs. The Departments of Commerce, Agriculture, and Housing and Urban Development had at least secondary interests. The greatest amount of bureaucratic infighting, however, occurred not between major agencies but within the Department of Labor.

In 1969 the new Secretary of Labor reorganized the department and established the U.S. Training and Employment Service (USTES) to handle under the jurisdiction of the Department of Labor all employment, work-experience, and training programs emerging from manpower legislation of the 1960's. The effect has been to bring together in one administrative hierarchy the recruitment, counseling, testing and placement services of the U.S. Employment Service and the state employment agencies.

Another proposed move of the Nixon Administration, which promises to have important consequences in the long run, is the proposal to shift primary responsibility for planning and administering manpower development programs to the states and local communities. This move will necessitate drastic overhauling of administrative machinery at both state and local levels.

It should be added that recent experience of programs for aiding the disadvantaged indicates that a number of elements beyond job training and placement are essential for success of manpower development programs. These include a wide range of supportive services, including health services, personal counseling, and financial assistance. A detailed list is presented in Appendix II.

4.

Recommended Directions for Manpower Policy

The need for remedial training to abate poverty arising from unemployment and underemployment, and for training to update or to replace obsolescent skills, stems from a number of sources. These include deficiencies of the existing public school system (including vocational schools), the gradual disappearance of unskilled jobs, and the changing needs of employees in an economy which itself is rapidly changing.

Statistics already presented in this statement make it clear that national requirements for remedial training far exceed the number of training opportunities that have been made available up to now. **We urge the continuation of special remedial and job training programs for the indefinite future. Although we do not attempt to define precisely the amount of the effort, nor its place in the scale of national priorities, we**

believe that an increased manpower development effort should have priority over a reduction of taxes.*

A continuing cause for concern is the high rate of unemployment among young people, particularly the disadvantaged. Like other youth they tend to be unstable. Many of the disadvantaged have no expectation that they can ever rise very high by their own efforts. Many are simply not ready for full-time employment, preferring to accept only enough work to enable them to "get by" while they do other, to them more interesting, things. Many have dropped out of school because they feel it is not relevant to future success or because, habituated to a long experience of failure, they find only frustration in classes.

The main organized effort made up to now to reach such youngsters has been the Neighborhood Youth Corps, which aims primarily to provide employment to keep young people in school or to keep them occupied during summer months. As noted earlier, while many New York City enrollees have contributed much that is useful (working in summer recreation programs for children is an example) and many have gained constructive work experience, the program as a whole has not been set up to lead them into the world of work.

Special attention and possibly major policy changes are required to combat the high rate of unemployment among young people, particularly the disadvantaged. Among the needs of young people are early opportunities to observe various occupations, better information respecting career choices, continuing vocational guidance, opportunities for combining school and work, freedom to leave school early and to take jobs (for those who feel they do not benefit from classes), job opportunities for these dropouts, and much patience with unstable students. **Also needed are ways of motivating young blacks and other minority group members to view employment as a source of satisfaction.**

Special attention should also be given to the provision of more adequate training for those in penal and correctional institutions. Most of this group, now numbering about 1.5 million, have no opportunity for significant training of any kind, particularly training which will be useful when they are released. Most persons in correctional institutions have far greater opportunities for instruction in crime than for acquiring skills which would enable them to find legitimate employment. Another CED subcommittee is studying the broad aspects of the administration of criminal justice.

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*See Memorandum by MR. PHILIP SPORN, page 70.

Continuing Education

A persistent dilemma of American education is the popular supposition that education stops with formal schooling. Meanwhile, with knowledge accumulating at an increasing rate, education at all levels tends rapidly to become obsolete. Professional men, business executives, scientists, and technicians all find it necessary to spend an increasing proportion of time updating their knowledge. The same applies to those who man the nation's workbenches and assembly lines, as well as to those who perform skilled services or clerical work. The advent of the computer, demanding a wide range of skills, is an instance of the sweep of the technological age which is upon us. The need for remedial training of the so-called disadvantaged is only one dimension of a universal need.

Educational institutions are beginning to recognize and provide for continuing education. Vocational schools annually enroll around a million adults for vocational advancement. High schools, community colleges, and universities provide a variety of opportunities for adult education. One deficiency is that the opportunities are unequally spread and in no way related to the vocational needs of individuals, particularly many of those who find themselves stuck in jobs that offer almost no chance for advancement. In many occupational areas, contact between the education community and the employer community is minimal, when in fact it should be of the closest.

Training should be regarded as a phase in a larger system of continuing education, whereunder opportunities for vocational advancement that increases adaptability to take other jobs, and cultural enrichment beyond the period of formal schooling will be afforded to all. A corollary of this recommendation is that special training for jobs should not be limited to "one-shot" efforts designed to get trainees into entry-level jobs; it should be designed as well for career development and movement up career ladders.

The Vocational Schools

There is a broad and growing need for skilled clerical, service, and technical personnel in the large cities. Thus, the public vocational schools would seem to have an important and increasing role in equipping young people to meet the needs of urban employers, as well as in retraining workers whose skills have become obsolete. Unfortunately, the vocational schools have fallen far short of their potential.

The observations of a panel of consultants on vocational education, initiated by President Kennedy in 1961, are still pertinent. The committee concluded that vocational education had failed to take account of changes in the labor market and of the special needs of "disadvantaged" students; that the training it offered, and the distribution of enrollments, bore little relationship to the pattern of employment opportunities; that the quality of education—facilities and equipment, teacher preparation, counseling and guidance, teaching materials—was inferior; and that enrollments in urban centers were low, while dropouts were high. Pursuant to the report of the committee, Congress enacted the Vocational Education Act of 1963 (amended and extended in 1968), with the stated objective of improving vocational training and retraining. Although the Congress substantially increased federal grants for vocational education, it did little to insure that funds would be effectively spent. Lack of federal leadership, and resistance to change at the state level, still give rise to the criticism that "vocational education is not yet adequately responsive to the needs of the labor market, little recognition has been given to new occupations, few innovative programs are under way, and there is little coordination between general and vocational education."[1]

The chronic shortage of trained people in many skilled occupations from stenography and computer programming to automobile mechanics, appliance repair, and computer servicing testifies to the inability of today's vocational education programs to cope with the needs of present-day urban functions. Another example of failure can be found in the construction trades where recruitment must be expanded greatly and rapidly, and the restrictive and discriminatory practices of the unions overcome, to meet projected needs of the 1970's and the decades following. Most jobs in these two areas are primary jobs.

Recommendations on vocational education will be made in the statement now being prepared by the CED Subcommittee on Education for the Urban Disadvantaged. It is clear, however, that if vocational education is to meet the needs of contemporary urban young people, as well as the changing needs of employers, it will have to change its philosophy and approach. Among other things, it will have to bring school experience and vocational experience much closer together.

1/See Sar Levitan and Garth L. Mangum, *Federal Training and Work Programs in the Sixties,* Institute of Labor and Industrial Relations, The University of Michigan, 1969, p. 124. See also Jacob Kaufman, "The Role of Vocational Education in the Transition from School to Work," in *Public-Private Manpower Policies,* op. cit.

More importantly, the concept of vocational education needs upgrading; one of the difficulties in vocational schools stems from their reputation as dumping grounds for those unable to handle academic work. Institutions of higher learning, particularly the community colleges, can make important contributions by offering upgraded and more prestigious skills training.

On-the-Job Training versus Institutional Training

On-the-job training is thought to have several advantages over institutional training. These include the incentive of the job itself, exposure to actual working conditions, and absence of the classroom atmosphere which puts off so many disadvantaged individuals. There are still difficulties in evaluating on-the-job training in business.

In some cases, employers may provide prevocational and/or vocational training before recruits begin regular work, or more or less formal instruction while they work. In many other cases, there is little or no formal instruction—recruits simply learn by working under a supervisor who shows them how to do the job. However, these on-the-job training programs are often restricted by practical limitations on the ability of private firms to go through the cycle of recruiting, training, and hiring.

American business already spends many billions of dollars for training employees; the amount may be upwards of $20 billion a year. Nonetheless, a 1962 Department of Labor survey found that formal industry training programs were carried on by a relatively small number of firms: 20 per cent of all firms, 11 per cent of smaller firms. Fifty-five per cent of workers-in-training were employed in goods-producing (mostly manufacturing) and 45 per cent were in service industries.[1]

Small firms, low-income firms, and firms in periods of stringency and decline cannot be expected to incur the risk of undertaking expensive programs for recruiting and training new personnel unless there is a prospect of an early payoff. Whatever its size, however, a firm ordinarily will hire additional workers only so long as the expected revenue from additional production covers the expected costs of recruitment, training, and employment over the forecast period. Hiring in excess of needs will

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1/*The Commitment to Occupational Training in Industry,* Report of the Task Force on Occupational Training in Industry, Washington, D.C., August 1968, pp. 34-35.

reduce net revenues. When firms do hire excess personnel, it is ordinarily for purposes of stockpiling against future needs.

Subsidies to business for training and hiring can serve two purposes. The first is to offset the higher costs associated with marginal individuals. The second, which may be very important despite the difficulties involved, is to induce firms to experiment with employing people who, because of low educational qualifications, arrest records, racial-ethnic backgrounds, or whatever their problem, have not previously been recruited even though it not infrequently turns out that such "hires" are as productive as any other "hires." It may be that the greatest contribution of the NAB-JOBS program to date has been to get firms over the initial threshold of reluctance to recruit from categories such as those mentioned.

Evaluating institutional remedial training as to quality and effectiveness is also difficult. A few special programs have been given high marks: Chicago's Jobs Now, which specializes in recruiting and giving vestibule training to ghetto youths, finding suitable jobs for them, and seeing that they are provided with "high"[1] support while they are becoming accustomed to job routines; Philadelphia's Opportunities Industrialization Center (OIC), a concept which has been extensively exported to other cities although without as much success; and the Detroit Skills Center. Most global benefit-cost studies of MDT institutional programs have indicated benefits exceeding costs. On the other hand, a number of studies of individual city training programs raise doubts concerning their effectiveness. For example, some of the Concentrated Employment Programs, discussed in Chapter 3, have been criticized for having fed most trainees back into secondary jobs.

There are, however, certain types of training needs which relatively few firms will undertake and which will generally be done, if they are done at all, only by institutional programs or by firms that specialize in training. These include:

1. Preparing young people with so-called vestibule training and entry-level skills for their first jobs, including training for those deficient in the three R's.

2. Upgrading skills of workers already employed and retraining those whose skills have become obsolescent.

1/High support may include buddy systems to help new recruits get adjusted, counseling service for personal and financial problems, wage advances and financial counseling, legal assistance, help in making transportation arrangements, and making special efforts to show interest in individuals.

3. Providing specialized vocational training in skills utilized by small firms and firms that are not equipped to do their own training.[1]

In general, training in a skill that is specific to an industry is more likely to be provided by an employer than general training—especially if the firm is small. Instruction in the more elementary general skills is expected to be performed by the educational system; however, many of those most in need of elementary training have already failed in school and may respond only to a different environment. In some cases, firms need people with simple literary, mathematical, or clerical skills; when such people are in short supply, the firms provide training. In some cases, general-purpose training is provided as a kind of fringe benefit.[2]

In summary, the chief contributions that can be made by the private sector are of two kinds:

1. Removing barriers to employment previously imposed by lack of educational and other credentials, racial and ethnic backgrounds, arrest records and the like, and taking measures to increase advancement opportunities for those who in the past have tended to become stranded in what they regard as dead-end jobs.

2. Providing special training and supportive services to keep people on the job and to help them advance.

The special contributions of institutional training include:

1. Providing the "basics" to those, young and old, who have not acquired them.

2. Teaching the many skills that are not readily acquired through on-the-job training.

3. Serving many firms, especially small ones, that cannot readily mount their own training programs.

One of the most deficient areas is training for public service, particularly in municipal and state governments. The importance of this

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1/In some cases, small firms may combine in consortiums to mount training programs with MDTA support.

2/For example, there is under way a pilot program of adult education sponsored jointly by ten major steel companies, the United Steel Workers of America, and the federal government. The purpose of the program is to meet the needs of steel workers with limited education who had been prevented thereby from advancing up the job ladder. During the first year of operation classes at the elementary level were attended by approximately 2,800 workers, including many members of minority groups.

field is indicated by the fact that employment in state and local governments accounted for approximately 22 per cent of the increase in total employment in the 1960's. At the same time minority groups, especially in the larger cities, are demanding a larger representation in public service. State and local governments have done little to equip for public service jobs people who would have difficulty passing traditional civil service examinations, or in redefining the jobs themselves except in a few areas. Even in exceptional cases the size of the effort has been small because of the limited funds available.[1]

Remedial training to assist the disadvantaged into the economic mainstream should include both training by specialized institutions and on-the-job training, and should be directed at both public and private employment.

Finally, more systematic manpower development planning, based on broader research, can do much to clarify the respective roles of institutional and on-the-job programs and to identify priorities in training needs.

Because the need for remedial training arises primarily from the failures of the regular education system, we believe that development of general training programs outside the regular system should continue to be supported until such time as the public and vocational schools themselves demonstrate the capacity to perform adequately in educating the disadvantaged. In some cases, special "skills centers" have done much better than vocational schools with disadvantaged youth, even though they have drawn on many of the same resources.

Development by private firms and public bodies, including the school system, of innovative technology and learning techniques should also be further encouraged.

Incentives for Business Participation

We recommend that participation by private firms in offering special training-and-jobs programs for disadvantaged workers continue to be assisted financially by government as it has been under the Job Opportunities in the Business Sector (JOBS) program.

1/The three principal programs are the New Careers Program under the so-called Scheuer Amendment to the Economic Opportunity Act; funds available for training and employing paraprofessionals in schools under the Federal Education Act; and programs for training and employing the poor under the Community Action Programs initiated under the Economic Opportunity Act.

The present system affords two kinds of benefits to employers who recruit, train, and hire. The first stems from the fact that all expenses are deductible from taxable income, so that corporations with net income above $25,000 subject to the 48 per cent corporate tax rate receive in effect an almost immediate abatement of 48 per cent of the costs. An investment in capital equipment, on the other hand, can be written off for tax purposes only over a period of years. The second kind of benefit is the contract subsidy to employers who recruit, train, and hire "hard-core" workers—a benefit widely used in the NAB-JOBS program.

In principle, however, tax laws can be drawn to extend the same amount, for doing the same things, as the contract subsidy. Various kinds of additional tax incentives somewhat comparable to the investment credit have been proposed for inducing business to train and hire the certified "hard core." What are the advantages of one approach over the other?

The special tax incentive, according to its proponents, has greater flexibility and permits the employer a greater degree of initiative. This is because it would allow firms to set up training-employment programs without entering into formal agreements with government agencies; could be more easily adapted to the varying circumstances of different firms in different industries; would avoid inspection of operations and books for compliance with contracts; and would eliminate the need to make periodic reports and prepare invoices or go through other red tape which businessmen find costly and time-consuming.

Many of these supposed advantages tend to vanish on closer analysis. Prudent businessmen would certainly spend time analyzing proposed training and employment plans for compliance with internal revenue laws and regulations if requirements for special tax deductions or credits were at all restrictive or complicated. Advance opinions of the Internal Revenue Service would be sought on many proposals. The Internal Revenue Service would be no less diligent in inspecting records than would, say, the Department of Labor.

The principal reason for preferring a tax-incentive route to a contract subsidy is probably the feeling that tax incentives would in fact not be so circumscribed as contracts, that they would be available to more firms, and that they would be less closely monitored. For a precedent, many tax-incentive advocates refer to the investment credit, which applies to a wide range of capital items with no concern as to whether any investment for which credit is claimed would otherwise have been made.

In practice, tax incentives would probably be drawn so that they

would take in more employees than would contract subsidies. This is more likely because the cost of a tax concession, which does not appear on the expenditure side of the budget, would generally be less apparent to the Congress and the public than would the cost of expenditure items which do appear.

Other disadvantages of tax-incentive schemes, compared to contract subsidies, include the following:

- The amounts of incentives required to achieve a desired result are likely to vary according to economic conditions and for different types of firms in different industries. Practical tax concessions cannot be designed to take account of such variations, by and large; and once the particular characteristics of the tax subsidy are fixed, it is difficult to alter them in response to changing needs.

- It would be more difficult to prevent manipulations of the tax incentive for the advantage of unscrupulous employers. For example, some plans would incorporate a type of tax subsidy which would encourage employers to induce turnover after initial periods of employment in order to qualify for higher tax credits. Employers guilty of such a practice may be cut off under a contract subsidy system. Under a tax incentive plan the main thing they have to fear is an argument with income-tax auditors.

- It is more difficult under a tax-incentive plan to specify with reasonable precision the objectives sought. Leading tax-incentive schemes require only that firms hire certified hard core for specified periods. If the main objective is putting people into jobs of any kind and without particular concern for the cost of this objective, the tax-incentive route may be preferable; if the primary objective is training and if costs are important, the contract subsidy route may be preferable.[1] The latter also may be more flexible because snags can be worked out in contract negotiations that would take many years to resolve in the adjudicatory process of tax-law administration.

- The largest tax subsidies would go to employers who incur the smallest training costs relative to wages, and the smallest incen-

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1/Because it is difficult to define and segregate training costs for the purpose of tax administration, most tax-incentive schemes apply only to wages rather than to training costs *per se*. But tax subsidies for wages only create adverse incentives.

tives to employers whose training costs are highest relative to wages. Workers who need the most training help per dollar of wages would be least likely to receive help, and would be least likely to be hired. The same effect would hold for other complementary services such as counseling, medical services, legal services, and consumer guidance. Tax incentives are most effective when profits are high, and are of little advantage when losses are incurred. Contracts are less subject to profit changes.

- Tax incentives cannot easily distinguish between primary and secondary jobs. The main purpose of training-and-jobs programs should be to put workers into primary jobs.

- With contract subsidies there also is likely to be better fiscal control of direct-expenditure programs. Agencies administering contract programs will have technical skills and knowledge (which the Internal Revenue Service does not have) for setting program objectives and evaluating performance. On the legislative side the Ways and Means Committee, which would have the main responsibility for a tax-incentive program, has no competence in overseeing spending programs, whether financed by foregone revenues or by subsidy.

- Finally, introduction of still another class of tax incentives would further complicate the tax system and provide one more set of potential loopholes. The history of tax incentives shows that they tend to expand into areas that were never originally contemplated. Contract subsidies have the advantage of requiring periodic review and renewal which make it possible to cut off unproductive programs and uncooperative contractors.

It should be noted, however, that although the process of contracting has been improved and simplified since the inauguration of the NAB-JOBS program, there is substantial room for still further improvement. Employers complain of the amount of time required for haggling over details; of the fact that they cannot get tentative commitments in advance so they could plan with some assurance that a contract would be forthcoming; and of the lack of flexibility in contract administration which makes it difficult to obtain contract modifications for changing or unforeseen circumstances.

We believe that financial incentives for training and hiring hard-core workers should be provided to business under special contracts rather than by tax incentives that go beyond those already provided by the corporate income-tax structure. The level of incentive payments should depend upon the amount of employer participation desired, with the proviso that they should not encourage the substitution of subsidized workers for already-employed unsubsidized workers. In addition, the contract process should be simplified, and detailed specifications pared down, with the objective of making contracts for training easier to negotiate and more attractive to business firms. Participation by small firms in training consortiums should be further encouraged and simplified.

Federal versus State-Local Government Responsibility

Manpower programs for the poor and disadvantaged have been initiated and financed largely from the federal level. One reason is that the resources of state and local governments have been under heavy pressure during the post-World War II period because of demands for more and better services and the rising costs of services. Moreover, the state and local governments have been less and less able to compete for trained and creative personnel.

In manpower, as in other fields, the federal agencies have been increasingly frustrated by their inability to deliver services, or see that they are delivered, at the local levels where needed. Most federally-sponsored programs are subject to many stages of review, inspection, and approval, all of which impede getting things done. The fact that funding is on a year-to-year basis impedes planning and building organizations.

At the state level the chief agents of manpower policy have been the employment security agencies. As a group represented by the Bureau of Employment Security in the Department of Labor, they contended for the leading role in the administration of the Manpower Development and Training Act of 1962. Although they did not succeed, they performed many services for the programs initiated in the 1960's.

The state agencies, however, are a diverse group whose directors hold differing views as to appropriate priorities and activities respecting manpower programs. Historically, their functions have concentrated on supplying employers with personnel and on finding jobs for previously employed workers. Their orientation has been toward serving the interests of employers, organized labor, or both. For the most part they have

taken little interest in reaching, motivating, and training marginal workers, or in locating employment for them. Where they have cooperated with remedial training and job development programs, for example, their cooperation has been less than vigorous and imaginative. A few directors have been pressing for leading roles in manpower development, but most have been indifferent or reluctant. The federal Department of Labor, under proposed legislation, would hold out powerful incentives in the form of grants for manpower programs bolstered by premiums for "exemplary" performance in planning and implementing them at the state level. Whether such incentive premiums could be effectively administered is another question. The state employment security agencies, through their interstate conference, have close ties with congressmen. This somewhat dilutes the degree of control that can be exercised by the federal administrative agency.

However, with some 2,000 offices and more than 60,000 personnel, the state employment security agencies are logical candidates for a central role in manpower development programs for the disadvantaged.* They have been charged with many new responsibilities in recent years for which they have received less than commensurate increases in funds and personnel. For adequate performance, which will in turn require determined use by the Secretary of Labor of the tools proposed in pending manpower legislation, the state employment security agencies need:

1. Overhauling of leadership and direction plus funds for manpower program administration.

2. Manpower development divisions which can concentrate on program planning and coordination.

3. Trained personnel which can be provided only by greatly increased training efforts. Since there will be a large turnover of staff, including top echelons, in most agencies during the next few years, there is an opportunity to develop administrators of broader perspectives and interests.

Planning and administrative capacity at the local level is also inadequate. Most local governments have no counterpart of the state employment services. School systems, including vocational schools, are commonly under boards of education more notable for independence than for cooperation with other community agencies. Most of the concen-

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*See Memorandum by MR. ROBERT R. NATHAN, page 72.

trated employment programs have been run by community action agencies which for various reasons have lacked capacity to take the lead in building metropolitan-wide programs.[1]

In realigning the responsibilities of the three levels of government, we believe that the federal government should continue funding all, or nearly all, the cost of manpower development programs for the disadvantaged.

These include institutional and on-the-job training; ancillary services to the disadvantaged work force (recruiting, testing, counseling, placement, health); and post-employment services necessary to help new recruits become adjusted to job routines and to assist workers already employed to move up promotional ladders.

We make this recommendation largely because of our belief that the federal government should be primarily responsible for services to the poor, leaving to state and local governments the responsibility for financing those which do not involve large income transfers. Most state and local government revenue systems are already strained to handle traditional services plus the new responsibilities thrust upon them by urbanization, rehabilitation, air and water pollution problems, and the like.

The federal government should take the lead in developing national manpower plans aimed at providing the kinds of education and skills that will be needed by the economy in the 1970's. Because conditions rapidly change, the plans must be flexible and should emphasize strategies to meet alternative possible developments.

We concur in the objectives of pending federal legislation to put greater responsibility on the states and local communities for planning and administration.* **Within guidelines established by the federal plan, state and local agencies should have responsibility for planning and administering manpower development programs. However, because many state and local governments lack capacity either for planning or for vigorous administration, the federal government should retain responsibility for reviewing and approving those state and local manpower development plans which will be federally funded, and of monitoring the administrative effectiveness of ongoing programs. Finally, the federal government should be prepared to take the initiative in establishing manpower development programs in regions that are incapable of providing their own.**

1/See the Committee for Economic Development policy statements on *Modernizing Local Government* (1966), *Modernizing State Government* (1967), *Reshaping Government in Metropolitan Areas* (1970).

*See Memorandum by MR. PHILIP SPORN, page 71.

In carrying out their responsibilities for administering national manpower programs, state governors should redirect and reorganize state employment security agencies better to equip them for a central role in administration of manpower development programs. Governors have power to appoint heads of state labor departments and state bureaus of employment security, including the state employment services. Moreover, each state has an advisory board appointed by the governor to oversee the activities of both the unemployment compensation division and the employment service. The first and simplest step in improvement, therefore, is to appoint directors and members of advisory boards for their interest in the broader aspects of manpower development as well as for competence in other areas.[1]

One possible solution is to make manpower a state government cabinet office separate from the Department of Labor. This could help overcome employer reluctance to deal with the employment services, arising from a belief that labor department staff are working primarily with the unions. Another approach is to give governors other options as to administrative tools. One possibility is a special corporation described in a later section of this chapter.

In the metropolitan areas and in the larger cities, manpower development units, professionally staffed, should be established to plan and implement manpower development programs. Preferably, local action should be carried out in a framework of state plans and programs, but large urban areas, where the problems are most acute, should not have to wait on states.

Experience with MDT and other manpower programs calling for federal-state-local collaboration indicates a need for better-trained administrative and technical personnel at all levels, along with better data and research on which to base programs. Manpower agencies, including state employment services, require persons with specific training in manpower administration and related fields. At present, little systematic training is offered in colleges and universities. **We therefore urge that the federal government and the states promote the establishment of educational and research programs in manpower administration and related fields in selected universities, community colleges, and other appropriate institutions.**

1/Heads of state labor departments ordinarily are persons with labor union backgrounds whose interests may not always coincide with such manpower objectives as training and jobs for marginal workers. Usually, advisory boards are composed of labor people and company lawyers—experts in matters of unemployment compensation, taxes and benefits.

Improving Low-Grade Jobs and Prospects for Advancement

We have seen that part of the problem of poverty and near-poverty lies with low-pay secondary jobs which are considered to lead to nothing better, and which dull workers' incentives and make for worker instability. An obstacle to any solution to this problem lies in the actual number of primary jobs, which is probably no more than a fraction of the numbers of poor workers who might conceivably fill them.[1] (This point has to be tentative for lack of data and absence of any standard definition of the "primary" job.)

If large numbers of primary-type jobs were available, they might be filled by newly trained workers who otherwise would gravitate toward secondary-type jobs. Employers offering secondary jobs might be forced by the shortage of labor to upgrade them. The prospects are not bright that this will happen on a scale sufficient to eradicate poverty and near-poverty. However, many secondary jobs do go begging or show high turnover rates because ghetto workers have other income alternatives, which may include welfare and "hustling." A concerted attack on secondary jobs *per se* would be new to American manpower policy though legislation to regulate wages, hours and working conditions has a history going back into the last century.

There is some difference of opinion among economists and others as to the efficacy of raising minimum wages as a means of upgrading what are now secondary jobs.[2] Some believe that the introduction of higher minimum wages for this purpose may act as a spur to the use of more efficient administrative and production techniques by firms or institutions in which low-wage scales have been merely one manifestation of generally antiquated managerial practices. Other economists point out, however, that raising the minimum wage tends to destroy jobs, produce economic dislocation and, in some industries, raise prices. Further, higher minimum wages militate particularly against employment of the least

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1/For example, data from the survey for CED of the Denver area indicated that in September 1967, the 4,300 most disadvantaged unemployed in the area were competing with 8,700 other unemployed for 9,700 jobs. Over half the jobs were unskilled and a third were blue-collar. Almost half the unskilled jobs which required no high school diploma were low paid and menial.

2/The national minimum wage for regulated industries is now $1.60 an hour and the work week is 40 hours. However, some ten million persons in both the rural and urban United States are reported still to be working for less than the minimum wage.

Some local areas require minimums. New York City has recently enacted legislation requiring all firms doing business with the city to pay a minimum wage of $2.50 an hour.

productive, including the young, the aged, and the partially disabled.

Although under the existing system of minimum wages there may be a case for adjusting the rates to take account of rising living costs, we question the concept of raising minimum wages with the specific objective of eradicating poverty. This would tend to restrict rather than expand jobs, thereby harming some in the process of helping others. Given the existence of minimum wages, we suggest that some differentiation in rates be made for the below-20 age group, the aged, and the partially disabled to avoid the real danger that employers will refuse to hire inexperienced or otherwise less productive workers at wages as high as those required for those more experienced and able.[1]*

The first need is to reduce the pervasive rigidities and discriminatory practices which weigh against the poor, the unskilled, and the uneducated so that they may be kept moving up through the system. For example, S. M. Miller points out that:

> "... we have a new guild system of credentials, licenses, certificates —largely built on the base of education—which keeps people out of many occupational channels. There is increasingly, for many occupations, only one route in—that taken when young. Failure to take that route bars one forever from the possibilities of that occupation.
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> People cannot obtain jobs that they could well fill because they lack educational qualifications. Negroes who drop out of the educational steeplechase before obtaining a high school diploma cannot get jobs. Employers do not feel that they are discriminating against these dropouts; they merely regard them as 'unqualified.'"[2]

Even in times of increasing shortages, professional guilds control and limit the well-paying employment in many service sectors, particularly in health, mental health, education, social services, law enforcement, and in construction and other trades. Restrictions on entry, and unnecessarily rigid jurisdictional lines, at once obstruct occupational mobility and decrease the ability of the system to serve the public. In the health industry, for example, built-in restrictions imposed by the professionals themselves operate to prolong shortages, much as they do in the

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1/CED, in the policy statement *Improving the Public Welfare System*, advocates supplementing very low incomes, whether of workers or nonworkers, by income maintenance payments.

2/S. M. Miller, *Breaking the Credentials Barrier*, Ford Foundation, 1967. See also Ivar Berg, "Rich Man's Training for Poor Man's Jobs," *Trans-Action*, March 1969.

*See Memoranda by MR. GEORGE C. McGHEE, MR. ROBERT R. NATHAN, and by MR. R. STEWART RAUCH, Jr., pages 72 and 73.

building trades. Additional barriers are racial discrimination (still prevalent in many occupations and many industries),[1] geographic immobility (often due to deficient transportation), and housing discrimination.

Partly under the impetus of "new careers" programs, experiments are under way with various new "paraprofessional" jobs in education, health, and other occupations. Such advances provide mobility for less-educated workers and increase the supply of needed services.

Civil service requirements of state and local governments, however, impose many unnecessary educational and experience qualifications having little relation to the ability of an individual to perform acceptably in the job.[2] In some cases, specifications are designed to limit civil service positions to members of particular groups.

Within many large firms and industries there are no well-laid-out routes for advancement of employees—the employers do not look down for talent, they tend to recruit from outside sources. Here again, more or less irrelevant credentials may act to restrict mobility. Some firms and industries, of course, are already creating advancement opportunities for employees by providing training courses, releasing time for training work, and paying tuition. Manpower administration contracts now offer incentives such as these. Another approach is to rearrange entire job hierarchies to assure career ladders with no barriers between individual steps or between classes of steps. This draws on an analogous approach used in war industries during the Second World War when jobs were deliberately restructured to meet the capacities of the newly recruited labor force.[3]

By now, numerous employers are accepting the idea that credentials such as high school diplomas, once considered necessary for entering many types of job, are in fact unnecessary. The next step is examination of higher-level jobs to see whether entrance requirements are out of line with performance requirements.

> "It is now generally conceded that the most efficient method of training workers for existing job vacancies is by instruction on the

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1/Some recent studies indicate that a major part of the difference between average incomes of blacks and whites is due to discrimination and that only a minor part is due to differences in education and training.

2/For example, there are many cases of people doing outstanding jobs as temporary teachers or acting administrators in the New York City schools, only to find themselves barred from permanent employment because they do not meet the peculiar requirements of the New York City certificate system. John J. Theobald, "Education" in *Agenda for a City: Issues Confronting New York*, Lyle C. Fitch and Annamarie Hauck Walsh, eds. (Sage Publications, Inc. 1970).

3/See Frank Riessman, *Strategies Against Poverty*, Random House, 1969.

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job. However, sufficient knowledge about potential capabilities of employees is lacking; consequently many are not given training for jobs at the highest levels of their capabilities. The most frequently cited example of this deficiency in current adjustment programs is management's failure to promote more blue-collar workers to white-collar jobs, even though many skilled craftsmen are quite capable of learning work now assigned to junior engineers and white-collar technicians. To the extent that this prevails, employers waste existing assets while substantially raising recruitment costs."[1]

It would appear that the entire process could be greatly facilitated by cooperation between the community's employers and its educational system. In the past there has been far too little such communication. School curricula have clung to traditional patterns; many employers have clung to systems of hiring and promotion established under outmoded conditions. Too little visible evidence has been offered disadvantaged pupils about the connection between the world of education and the world of work. Too little opportunity exists for continuing education to facilitate job advancement. On the other side of the coin, however, some companies have "adopted" high schools and worked with school officials on curriculum, offering students opportunities to observe industry in operation and to find employment on graduation.

A broad-scale attack on secondary jobs as a source of poverty can be made by changing job specifications to eliminate irrelevant qualifications and by revising job definitions. Employers can be encouraged to recast their own job structures to provide lines of promotion within their organizations. A field needing special emphasis is the construction industry and the building trades. Here the rate of inflation has been among the highest of any economic sector. Meanwhile, discrimination is successful in keeping out of the construction labor force all but a handful of blacks and other minority group members.

All indications point to a greatly increased volume of construction demand during the coming decades, with great increases in the number of construction workers needed. The construction industry is particularly suited in many respects to the employment of those who would otherwise be shoved into secondary jobs. A great deal of the needed construction

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1/*Technology and the American Economy*, Report of the National Commission on Technology, Automation and Economic Progress, 1966, Vol. I, p. 62.

is in central cities. Federal, state and local governments provide funds either directly or indirectly for a substantial proportion of the nation's construction. All these considerations argue for firm policies to insure that future additions to the nation's construction labor force include much larger proportions than before of minority group members who have previously been excluded. Some successes are already being achieved in Philadelphia, New York, Chicago, and elsewhere.

We believe that an important new direction to be pursued by national manpower policy is improving low-grade jobs and job prospects, thereby increasing the mobility of employees. This approach requires:

1. **Reducing the pervasive rigidities and discriminatory practices which weigh against the poor, the unskilled and the uneducated, and minority groups in general.**

2. **Greater cooperation between employers and community educational systems.**

3. **Systematically undertaking to improve the prospects of workers in what are now less desirable jobs by such measures as changing job specifications to eliminate irrelevant qualifications, revising job definitions and where possible giving duties previously performed by highly trained professionals to less trained paraprofessionals, and encouraging employers to recast their own job structures to provide lines of promotion.**

4. **Systematic research on means of increasing productivity in the low-paid service and other industries so as to enable raising wages without increasing inflationary pressures.**

Job Opportunities for All

The crisis of the poverty population, and the more general concerns of the national welfare, require that all who wish to work have access to job opportunities at wages commensurate with productivity, or access to training opportunities which lead to jobs.[1] While this goal cannot be achieved overnight, or at all times, it should be a continuing objective of manpower development policy.*

For training of the disadvantaged to be meaningful to those who receive training and immediately useful to the economy, there must be

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1/See *Fiscal and Monetary Policies for Steady Economic Growth,* op. cit., p. 28.
*See Memorandum by MR. GEORGE C. McGHEE, page 73.

good prospects that training will lead to jobs from which trainees can get some satisfaction and a reasonable degree of security. Achieving this goal will require, among other things, improved data on job vacancies and on unemployment. There are as yet few reliable data on the number of job openings at any given time, either in the economy at large or in most local labor market areas. There is reason to believe, however, that even in the tight labor market of recent years the number of jobs available was consistently below the number of unemployed, particularly if we include as unemployed those not counted as being in the labor force but who would take jobs if they were available.[1]

Providing appropriate job opportunities for all who wish to work does not mean that unemployment can or should be reduced to zero. Even when the high-employment goal is reached there will be frictional unemployment arising from individuals changing jobs; firms changing production schedules, relocating or going out of business; and similar developments characteristic of a dynamic economic system. There will also be people unemployed because they lack the skills, training, or other abilities to match job openings. We do not in this statement deal with the cyclical unemployment of those normally employed which results from recessions. Numerous other CED statements on fiscal and monetary policies for stable economic growth have elaborated on ways for dealing with recessions.

Measures to expand the productivity and employment of the chronically unemployed and underemployed labor pool—by such means as training, reducing discrimination, improving health standards, job information, and transportation to increase mobility—serve to increase the labor supply and raise the total output of the economy.

Manpower programs of recent years have aimed at these various objectives. Job development efforts under these programs, including the NAB, have awakened employers' interest in the "disadvantaged" labor pool and expanded the supply of available labor.

A pool of labor which is idle because of discrimination, lack of education and skills, geographic immobility, or labor-market imperfections, imposes a cost on the economy. Workers and their families must

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1/Garth L. Mangum has estimated that the number of job vacancies in the period 1961-67 was never more than 50 per cent of the number of people unemployed, and that during most of the period the ratio was considerably lower than 50 per cent. See his statement, "Employment Opportunities and Job Development in the Inner City," in *Employment and Manpower Problems in the Cities: Implications of the Report of the National Advisory Commission on Civil Disorders,* Hearings before the Joint Economic Committee, Ninetieth Congress, 2nd Session, 1968, p. 190.

be sustained in any event; under public assistance levels now available in many large industrial states the cost of maintaining idle workers, with their families, is little less than the cost of employing them and in some cases more. As we have previously observed, maintaining workers is an overhead cost to the economy which goes on whether or not workers are employed. Where unemployment leads to widespread discontent and civil disruption, overhead costs rise accordingly.

It is frequently assumed that employing marginal workers at going wage rates raises unit production costs because of their lower productivity. However, many recruits considered by employers and personnel directors to be of low productivity and otherwise difficult to employ have turned out, under the impetus of the NAB-JOBS programs, to be as productive as other workers who were ahead of them in the labor queue only because they could better meet such hiring standards as high school diplomas, ethnic origins, or even nonghetto addresses.

If the obstacle to private employment of the disadvantaged is the high cost of recruiting and training them, their employment can be stimulated by training and wage subsidies. However, unless measures are taken at the same time to increase the number of jobs available, the effect may be to displace other employees who are equally or more productive.

The objective of an adequate number of job opportunities can be achieved in part by continuing and intensifying work already in progress to improve the labor market and information on job openings. **Federal and state agencies should collect for each local labor market area, and make regularly available, data on job openings and on the composition of both unemployed and underemployed in the labor force.** Part of the data would be furnished by the *Jobs Bank* program being pushed by the Department of Labor, but there is still a great lack of information on the composition and characteristics of the labor force itself which is needed for manpower planning.

We believe that much more can be done to acquaint residents of central city poverty areas in metropolitan centers with job opportunities outside the central city, both by private-employer recruiting efforts and by state employment services. It appears that while ghetto workers generally have a good knowledge of secondary jobs, which predominate in central cities, they have poor information about better jobs in factories and other establishments located further away.

Transportation improvements to widen the job opportunities of ghetto residents should have high priority. Transportation in many cases is an inhibiting factor because of the inconvenience, long travel periods,

and high cost of public transportation between residences and work. Short of building major new transportation systems, there are a number of possible ways of alleviating transportation obstacles. Thus far, federal intervention in this area has been limited to a few demonstration projects of limited scope and effectiveness. To widen job opportunities in the suburbs it will also be necessary eventually to provide a substantial increase in open housing for low-income families in suburban areas where they can live within reach of manufacturing jobs.

Along with a policy of appropriate job opportunities for all should go measures to increase incentives to take jobs. In particular, public welfare assistance programs should provide work incentives for all who qualify for public assistance by allowing them to keep a large proportion of income earned, up to a cutoff point. This principle is already being applied to mothers (along with certain fathers) of families receiving Aid to Families with Dependent Children. It is recommended in a companion policy statement of the Committee, *Improving the Public Welfare System.*

New Administrative Machinery

The work-opportunity principle endorsed in the preceding section, and the public welfare reforms advocated in the companion CED policy statement just referred to, are all integral parts of a comprehensive program. Implementation of the program, however, requires that opportunities for training and work be available for all who are potentially able to work, and that there be institutions which can supply such opportunities.

What is needed is an integrated program for a full range of manpower development services, including the following:

1. Helping those who have been unsuccessful in the labor market to make the transition from unemployment, unstable employment, or welfare dependency to significant jobs.

2. Providing various services needed by unstable workers; these are described in Appendix II.

3. Assuring jobs for all previously marginal workers who complete training programs, and for those who can be assigned to jobs without further training.

4. Providing young people with some opportunity to experiment with different kinds of jobs before making long-term vocational commitments.

Despite the proliferation of manpower programs in recent years, there are no existing institutions designed to provide such a range of services. A few of the large private corporations come closest, in that they couple training and support services with jobs.[1] **We therefore suggest experimentation with a new type of public or nonprofit corporation which would undertake to provide training and jobs for marginal and hard-core workers.** We refer to it for convenience as a Jobs Corporation.

In principle, able-to-work applicants for public assistance would be referred to the Corporation (as well as to job vacancies) for employment, and any such applicants refusing employment[2] would be ineligible for public assistance. Other eligible persons simply would apply for jobs or they might be recruited by the Corporation. Recruits would be tested and classified as to appropriate training and jobs, and as to health and other services required. Training and support services would be provided by already existing programs; if needed, the Jobs Corporation would arrange for or provide additional programs.

Young people, including dropouts, who cannot find jobs in the regular labor market would be eligible for the Jobs Corporation in programs designed to provide experience with different kinds of training and occupations, all for the purpose of allowing some choice of vocations during formative years.

The Corporation program would differ from existing institutional programs in several ways: (1) it would consider clients as employees; (2) it would seek significant jobs in both the public and private sectors for all clients (except incorrigibles); (3) its program would supplement and in part replace other forms of public assistance.

The provision of jobs would be the most problematical of the Corporation's commitments. At least three sources could be exploited:

1. "Regular" jobs in the public and private sectors. These would be developed in cooperation with employment security offices,

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1/The Concentrated Employment Programs, which were supposed to bring together a wide range of training and support services, generally have not been successful in putting clients into significant jobs, in part because of failure to work with other community agencies, such as local chapters of the National Alliance of Businessmen, and employment security officers.

2/The CED policy statement, *Improving the Public Welfare System*, has recommended that this requirement not apply to mothers with dependent children.

NAB offices, public personnel officers, and others. Where appropriate, the Corporation could contract to subsidize private employment for limited periods. Such employment might include positions in new publicly-supported but privately-operated institutions, such as private day-care centers, transportation services, home services for the elderly and disabled, and the like.

2. Short-term contracts with public agencies and private firms for peak-season, special, and emergency work.

3. Supplying client-employees to government agencies for useful work which would not be ordinarily undertaken. Such work might cover a wide range—public-works projects (particularly projects for which funds are scarce); subprofessional health, education, and other services in fields such as family planning, nutrition, and consumer services, as well as services provided under the Jobs Corporation program such as day care, transportation, screening and orienting recruits.

Financing. The net additional money cost of such a program could be relatively small, because a large part of the funds required would almost certainly be needed in any case for public assistance and manpower development programs which it would replace. With only small changes in existing legislation, federal, state, and local manpower development funds could be made available to the Corporation.[1] Other sources might be private-sector contracts for temporary and emergency work and contracts with public agencies.

Wages. The wages paid Jobs Corporation employee-clients should depend on local wage levels and welfare support levels. For larger families the wage would be part of an income-maintenance package, with wages supplemented by public assistance. Tentatively, the basic wage paid by the Corporation might be set at the legal minimum wage

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1/The necessary authorization already exists. For example, Section 432 of the Social Security Act authorizes the Secretary of Labor (in cooperation with the Secretary of Health, Education, and Welfare) to establish work incentive programs for individuals receiving Aid to Families with Dependent Children. Such programs include (1) placing as many individuals as possible in employment and on-the-job training positions, (2) institutional and work experience training for individuals for whom such training is likely to lead to regular employment, and (3) special work projects for individuals for whom a job in the regular economy cannot be found.

Existing social security and manpower legislation permits both federal welfare and manpower funds to be granted to public and nonprofit corporations for welfare- and manpower-related programs.

level of $1.60 per hour or approximately $3,200 per year for full-time employment.

Where public assistance support levels are close to or exceed the wage offered by the Corporation, the wage should be supplemented by family allowances at least equal to those now paid by federally assisted work-incentive welfare plans.[1]

Work requiring a significant degree of training or skills should be compensated at correspondingly higher rates, determined primarily by prevailing rates in the community for similar types of work.

We recommend that the federal government encourage establishment of experimental Jobs Corporations in several communities, with an annual allocation of approximately $100 million (drawn from manpower development, public assistance, and related appropriations) for the purpose of an initial demonstration period of three to five years. This amount would provide for start-up costs and for hiring approximately 10,000-15,000 marginal workers per year. Costs per employee would vary widely, depending on the special services needed by the employee, the amount of time spent in training, and the type of post-training employment. Cost estimates cover such items as basic wages, family supplementation (already granted in work-incentive programs), training costs, remedial health services where needed, day care where needed, transportation costs where necessary, counseling and other special services, and corporation overhead. All these cost items, including overhead, are already involved in present welfare, training-and-jobs programs.

Advantage of Corporate Form

The corporate form is preferred to a more conventional public agency for several reasons: greater flexibility in personnel management; freedom from administrative red tape which bogs down many government operations, particularly innovative ones; and greater flexibility in financing. Perhaps its greatest advantage is the scope that it offers to corporate employers to pool their abilities and efforts in this field, as NAB employers have already done in establishing training organizations in some cities.

1/To take a specific instance, New York City public assistance support levels for a family of four average about $3,700. Families eligible for work-incentive benefits are entitled to keep approximately $80 per month for work-related expenses, plus 30 per cent of excess earnings up to a break-even point of about $6,100 per year. With a wage of $3,200, a family would be entitled under this formula to supplementary assistance of $1,632.

A Jobs Corporation would also afford an organizational option whereby governors and large-city mayors might overcome the obstacles imposed by outmoded welfare and employment security bureaucracies. To be successful, of course, the Corporation would require highest-level governmental support and the full cooperation of employers, both public and private. Boards of directors of nine to twelve persons might include local NAB or other business representatives, public personnel officers, labor union officials, and representatives of client groups.

Government-Generated Employment

The foregoing proposal is a step toward filling gaps in the demand structure for labor which exist even at a generally high level of employment by programs of government-financed employment. Such programs become more necessary as the government's welfare and training programs prepare more people for jobs. Workers will only be frustrated if they complete training programs (including those mandated under welfare programs) and then cannot find jobs. At the same time, the disadvantaged as a group are likely to be the last to be hired when employment is increasing and the first to be laid off when employment begins to decline.

Government-generated employment is not new; much of the employment increase of the past half-decade, both in public and private sectors, resulted from the stimulus to the private sector provided by the federal government's fiscal and monetary policies and from the expansion of federal, state, and local government activities. Over the next several years, it should be possible to meet shortfalls in the high employment objective defined earlier by more intensive attacks on such national problems as pollution control, rebuilding older cities and constructing new ones, improving transportation, health and education services, and public protection. Priorities have already been debated and established in these problem areas by legislative action, and the need for solutions grows more and more apparent. A more adequate response to these needs awaits a more adequate mobilization of private as well as public resources, which will create both private and public sector jobs.

We believe that the programs and policies proposed in this statement would provide for more equal access to employment opportunities, contributing substantially to better utilization of our country's manpower resources and thus to a more productive economy.

Memoranda of Comment, Reservation, or Dissent:

Page 9—By PHILIP SPORN:

The subject of training and jobs for the urban poor is vital enough for me to have looked forward with a great deal of anticipated excitement to reading the draft of the committee report. But having done so with a great deal of difficulty, I find myself both confused as to what we are trying to accomplish and frustrated in following the basic assumptions and reasoning of the report and its recommendations.

As to foundations: The first paragraph of the report starts with a categorical statement that "During the first half of the 1960's . . . there were areas of poverty so large and persistent that they could . . . be attributed . . . only to defects in the economic and social structure itself." It buttresses that dubious conclusion by the statistical information that "in 1968 there were still 25.4 million persons 'in poverty' "; and then it adds the very important statistic that "of the total number of poor, about 10.7 million . . . were children under 18." What it does not say is that if you properly interpret these two sets of figures you will find that between 1959 and 1968 there has been a reduction in the incidence of poverty as measured by federal income criteria from 22.4% to 13%. (See NPA Planning Pamphlet No. 128, page 8.) I do not see how the economy's performance warrants the damning of the economic and social structure that it is subjected to in the first five lines of the report.

Page 10—By C. WREDE PETERSMEYER:

I do not approve this statement. It deals with an extremely important problem in what I believe to be an inadequate manner. It fails to recognize the inherent dignity in *all* productive work regardless of pay or job classification. Indeed, in several places in the report, it draws distinctions between "good jobs" and "secondary jobs". It fails to take into account the increasing importance of service jobs in a society which is becoming increasingly automated, and the job opportunities that are thus available for the urban poor with limited skills. It fails to come down hard on the urgent need for vocational training as part of the school system to prepare high school drop-outs and those not capable or interested in higher education with even the minimum skills that are necessary for employment. Finally, it fails to adequately face up to the substantial barriers that exist to the productive utilization of such people resulting from the minimum wage, child labor regulations and restrictive union practices.

Page 10—By PHILIP SPORN:

The fact of the matter is that a vigorously expanding economy is the one great contribution to lowering unemployment and particularly unemployment of the uneducated and those who lack any kind of skills and to reduction in poverty. The great tragedy of many, if not most, of the urban poor is that in their migrations from the rural areas where they were born and raised they came into industrial communities of the country without funds, with the barest minimum, if any, education, without skills and thus were forced to take the worst jobs and the lowest paying jobs—they became the janitors and hand haulers in our industrial plants, the busboys of our restaurants, the janitors of our houses, if they managed to find their way into food chain establishments they became the packers and checkers, they became the hospital attendants and the laundry people, and if they got up very high they became the gas station attendants. Consequently they could not find any decent housing because they had no economic income high enough to command such housing and, living in neglected and broken down parts of the city—the slums, in other words—for economic reasons, their children in many cases received the worst schooling obtainable in our society.

Page 10—By ALLAN SPROUL, with which ROBERT B. SEMPLE has asked to be associated:

This admirable document illustrates, in my opinion, the weakness which has characterized too many of the recent Policy Statements of the CED.

Its recommendations, however meritorious they may be individually, collectively cover so many facets of a problem which lies near the heart of our whole socio-economic system, that their translation into action will require a substantial recasting of our social structure and of our political priorities.

Without a guide to priorities such an assemblage of recommendations gives protective cover to most of the proposals which are being put forward in this field, but fails to provide the concentrated support which is needed to spur action on changes which might be achieved in the proximate future.

My question continues to be whether more of the Policy Statements of the CED, as statements primarily attributed to a group of informed business men, should not be rifled toward prompt government and private action which may now be attainable rather than being cast so often and so largely as educational material which, hopefully, will eventually create a climate for broader action.

The two purposes are inter-related and both are included in the basic objectives claimed by the CED. I question, however, whether we are succeeding in combining them in Policy Statements such as this one.

Page 10—By PHILIP SPORN:

As to objectives: The title of the report is clear enough, but within the first two pages of the introduction and summary of recommendations we are told the committee is also concerned "with increasing the productivity of the national economy by making the labor force as a whole more productive and utilizing it more fully." This is certainly a totally different subject, particularly if we accept the judgment of the committee that the major cause of poverty is chronic unemployment and underemployment.

Page 11—By PHILIP SPORN:

The statement that productivity is closely related to the accumulated education and skills of the labor supply and the implication that one follows or is caused by the other are surprising myths to be propagated in a report of CED. As proof of this there is offered the statement that one of the main factors which enabled the war-ruined German and Japanese economies to recover and grow so rapidly in the post war period was the skills of their populations. But of course this totally disregards the fact that American generosity, humanity, or statesmanship, rebuilt most of the industrial production plant of the German and Japanese nations ruined by the war. It is because of these plants that their people, possessing the necessary skills to operate them, were able to produce at a very high level of productivity and so obtain dominance in supplying a good deal of the world's needs in competition with the plants of the very people—most importantly the United States—who rebuilt their industrial structure.

This bad slanting of the report with the failure to recognize the basic fact that a healthy, growing economy, with concomitant improving of productivity is the basic answer to poverty and improving the economic well-being of a society, provided it is also backed by a comprehensive program of training, upping the training, and retraining workers in new skills as old skills are obsolesced by technological improvements is its Achilles heel. Merely training people in higher skills without the expanding economy will do very little either for improving employment or eliminating poverty.

Pages 12 and 14—By ROBERT R. NATHAN:

It is not realistic to attribute the need for remedial training to the failures of the regular public school system, nor is it likely that much of the need for special remedial training will be alleviated as public education is improved. In our rapidly changing economy and especially with acceleration in technological progress it is likely that more remedial training will be needed in the future than in the past irrespective of how well our regular educational system functions. We need many improvements in the public schools and these needs should be given high priority. However, we had better prepare ourselves for meeting growing and long-term requirements for remedial training.

Pages 13 and 42—By PHILIP SPORN:

This is surely one of the most lukewarm recommendations. Even if one were in complete agreement with it, suggesting an implementation program with a "priority over a reduction of taxes" damns the recommendation as being of no importance, except for tax reductions already scheduled, for at least the next two years and maybe well beyond then. When can we expect a serious consideration of a reduction in taxes? Surely not this year, nor in 1971. In 1972? Even an election platform promise late that year would have to be discounted no matter which party made it.

Page 13—By THOMAS B. McCABE:

The CED draft statement has some excellent points—especially the recognition that (1) unemployment is a national problem, requiring a national solution; and that (2) joblessness among youth demands a special attention.

The great weakness of the draft statement is the failure to recognize unemployment as a *psychological* as well as an economic problem. Such a weakness could minimize the acceptance of the plan, especially by those who have practical working knowledge of the relative effectiveness of different programs.

Job-training should be looked upon as not only a path to economic rehabilitation, that is, the restoration of income; but also as a pathway to psychological rehabilitation whereby there is the restoration of the jobless man's faith in himself and the society.

This means that the manner with which the jobless are treated is as important as the "medicine." An alienated man, even in the ghetto, will reject external authorities telling him what he ought to do. He himself must be persuaded to believe in the possibility of his rehabilitation and he must participate in his recovery and redemption at every point. This cannot come about through a plan worked out by experts, the Government, or those people who live outside of the cities. To be acceptable to the target population, such a plan must, in part at least, arise out of *their* community, as they see it.

The wish for self-determination is universal, and when it comes to the poor, their community should not be confused with the delegation of authority to public organizations that have records of indifference to the people who are supposed to be helped.

Moreover, at every step of the training where educational and vocational choices are made the trainee must participate in these decisions. Then at the end of the line there must be a sure job waiting for him.

In a word, Opportunities Industrialization Centers, if it has proved anything, has demonstrated that (1) psychological reconditioning of recruits and (2) orientation to the world of work deserve a priority over learning the marketable skill itself.

Accordingly, a national plan ought to include a feeder-type facility, community based as with OIC, that will prepare the jobless for the subsequent or concurrent skill training in industry and ultimately give the previously unemployed man a sense of dignity along with a good job.

Pages 16 and 54—By PHILIP SPORN:

In the light of the recommendations "that the federal government should continue funding all, or nearly all, the cost of manpower development programs for the disadvantaged" and also that "the federal government should take the lead in developing national manpower plans aimed at providing the kinds of education and skill that will be needed by the economy in the 1970's," I can see no consistency in the report's concurrence "in the objectives of pending federal legislation to put greater responsibility on the states and localities in carrying out these plans." It seems to me that this is a purely politically oriented compromise. The paragraph following the first gives more than enough basis for concluding that the author of the recommendation himself had grave doubts of the workability of his recommendation.

From a philosophical standpoint my objection to the recommendation is that it goes counter to the well recognized notion that modern advanced societies must not only spend more money to solve the many difficult social problems arising from the tremendous expansion in the development of the operations of capital, labor, and commercial activities, but need to furnish a centripetal force to keep such a dynamic society from flying out centrifugally and without responsible control. This can be supplied by the exercise of the requisite central power. For this and for other reasons stated, even though I fully believe we need to adopt an effective program of training and improving the employment of the urban poor, I cannot go along with this report because I do not think all the implications have been thought through carefully enough and the recommendations, I believe, are poorly founded. Thus I am constrained to vote against this report and to dissociate myself from it.

Pages 16 and 53—By ROBERT R. NATHAN:

Perhaps nowhere is the opportunity greater for positive contributions to carrying out manpower development programs than in the various employment security agencies. If we are going to achieve improved mobility of workers and if there is to be much better knowledge of labor markets and much better matching of available workers with unfilled jobs, then certainly there will have to be drastic changes in the state employment security agencies. Some improvement has taken place in some of these agencies in certain states, but relative to the needs of our times and relative to the huge resources being devoted to manpower development programs, the achievements of the state bureaus of employment security leave much to be desired. A Federal system to handle these important functions would seem to be highly desirable but since this is probably not politically feasible then surely higher Federal standards and significant up-grading in the functions of these agencies must be given high priority and great emphasis.

Pages 17 and 57—By GEORGE C. McGHEE:

This recommendation does not, I believe, adequately reflect the fact that rising living costs have already overrun the existing system of minimum wages in many areas—wages which were in particular cases woefully inadequate to begin with. Since the Research and Policy Committee has recommended a broad extension and liberalization of the Public Welfare System, it would appear preferable to deal with inadequate income levels of the working poor wherever justified through increase in the minimum wage, rather than through welfare. Although this would pose a problem for certain industries, I believe that they could in most cases meet the increased minimum wage without decrease in the number of jobs through the making of long overdue structural changes.

Pages 17 and 57—By ROBERT R. NATHAN:

Under the existing system of minimum wages it would be appropriate to adjust the rates not only to take account of rising living costs but also increasing productivity and moving toward minimum wages which would significantly reduce

the number of active workers living in poverty. There is no evidence that higher minimum wages tend to restrict rather than expand jobs. As a matter of fact, history and empirical experience would tend to lead to the opposite conclusion. Of course in theoretical terms it can be contended that employers will refuse to hire those potential workers at minimum wages if their productivity renders such employment uneconomic for the firm. In dealing with this complex subject it is necessary to look at the benefits as well as the possible disadvantages and in this respect minimum wages have contributed much more in a positive way than they have detracted in a negative way. The solution to the inexperienced and the unskilled and the handicapped lies in better training and improved mobility and, whenever necessary, reasonable incentives to make employment of such individuals more attractive to employers. These are much better solutions than holding down minimum wages.

Pages 17 and 57—By R. STEWART RAUCH, JR:

A minimum wage should be established for secondary jobs consistent with experience. The experience factor would prevent unrealistic demands from hard-core unemployed, high school drop-outs or recent graduates, but would guarantee a person who has been consistently employed a wage on which to decently raise a family.

As an example; hospital workers often receive starting salaries for maintenance and other service jobs just at the minimum wage. In many cases, employees remain on such jobs without pay raises for many years, because of the lack of unions or organized lobbying. At the same time, professional and para-professional salaries continue to rise. By insuring that persons remaining on a job, once reaching a certain experience level would receive decent wages, there would be an incentive for stable workers to seek out this type of employment. Without this type of incentive, the hospitals are constantly faced with high turnover of employees and are constantly faced with the problem of training new employees, only to have them leave after a short period of time.

Pages 18 and 60—By GEORGE C. McGHEE:

This recommendation is a commendable one. I do not believe, however, that it is adequately followed up in the recommendation on Page 19 calling for experimentation with a new type of public or nonprofit corporation to provide training and jobs for marginal and hard-core workers.

Although this plan appears to have merit and should be tried on an experimental basis, it involves no new source of funds but would use transfers from existing "manpower development, public assistance and related appropriations," which are already short. It does, moreover, serve to "paper over" the inescapable fact that apart from the sharp rise in unemployment occasioned by the current recession, there was even during the prosperous days of the 1960's persistent unemployment, particularly among the minorities in the inner cities.

The National Alliance for Businessmen has made a creditable effort to train and hire the so-called "hard core" among these unemployed. It would not be reasonable, however, to expect the private sector to do the whole job, particularly in time of recession when many of the recently employed hard core must be released. The

jobs are just not there. The only real alternative is through a comparable effort in the public sector through so-called Public Service Employment. The need for such a program is recognized in several bills pending before the Subcommittee on Employment, Manpower and Poverty of the Senate Committee on Labor and Public Welfare. Senator Javits has announced his intention to amend his S2838 to provide $500 million for a job creation program.

It is indeed ironical that, with unemployment at such a high rate, there exist serious unfullfilled service needs in our hard-pressed cities in the fields of health, education, sanitation and other areas—for which funds are simply not available. I believe that it is time now, not in the future, for a substantial program of job creation through federal funding in the Public Service area, at least of the magnitude of the Javits proposal.

Page 27—By CHARLES P. TAFT:

In working with poor minority groups in neighborhood city planning, I find they make "demands" (which are in fact "requests") and expect instant accomplishments. Students in recent experience are exactly like that.

Both groups have no understanding whatever of principles of organization, and no training or experience in the human skills by which people in groups work together. This is because these skills are not taught in primary, secondary, or college institutions; they are acquired only by observation by political animals in school or on campus.

These kinds of skills are the essence of the democratic process. They are tremendous work incentives, as we have seen in the militant groups. They should be in all curricula, and especially included in vocational education and in manpower training courses, for instance, in working out lines of promotion.

Page 36—By JOHN D. HARPER:

I believe that in this sentence and elsewhere in the statement the financial assistance available to participants in the NAB-JOBS program would be more precisely defined as a system of "compensation for extra costs" than as a system of "subsidies."

Appendix I.

Commentary on Secondary Jobs

Two principal characteristics of secondary jobs are chronically low pay and lack of stability or opportunities for advancement. The reasons for these conditions are frequently far more complex than is popularly believed. Some of the main factors follow.

Low Pay

Some jobs, by requiring only minimum education and skills, have always attracted many workers, and competition has kept pay rates low. Frequently, though not invariably, the value to the employer of the marginal laborer is low, so that his wage corresponds at least roughly with the amount for which his incremental product will sell on the market. Such chronically low-wage jobs are seldom unionized.

Competitive conditions in particular industries influence wage levels and working conditions, with or without unions. Wages of fairly skilled jobs in the highly competitive garment industry, for example, tend to be lower than beginning wages of unskilled assembly-line workers in automobile manufacturing, even though the first has a longer union tradition than the second.

In some occupations, wages are low because they have always been low and employers balk at parting from tradition even when confronted by labor shortages.

Lack of Stability and Opportunities for Advancement

The structure of jobs in a firm or an industry may be such that each level has many fewer jobs than the level below it, so that there are places for only a few higher-level workers.

Higher-level jobs may require formal training as well as a higher level of experience, a requirement that may discourage some workers. For jobs requiring skills not readily learned on lower-level jobs, firms

frequently recruit from the outside, foreclosing opportunities for advancement from within.

Low wages, instability, and other undesirable characteristics of secondary jobs may be in part the employers' reaction to the expectation that their employees in these jobs will be unstable. Employee instability, or the expectation thereof, is responsible in many cases for low wages and lack of training and promotion opportunities. Low wages may compensate the employer for high turnover and absenteeism; but at the same time lack of training and promotion opportunities result from workers' not remaining on jobs long enough to acquire skills or to justify employers' investing in training. In the case of some secondary jobs, employers tolerate lateness and absenteeism, particularly since discipline by discharge or other punishment is ineffective where employment is inherently unstable. Even petty theft is sometimes accepted in secondary jobs, with wages being set below the market to cover losses.

Again, secondary jobs tend to persist partly because of the many obstacles in the way of converting them to primary-type jobs. Total annual earnings in many low-wage establishments may not exceed ceilings for employer contributions to various social insurance programs, so that employers gain nothing by reducing turnover. Where wages go above tax ceilings, employers may find it advantageous to hold down the size of work forces, if necessary paying more to those on the payroll rather than enlarging the work force and thereby incurring additional tax liability. Fluctuations in market demands may make a stable work force impracticable or costly in slack seasons; employers may prefer to take care of peaks in short-run work loads by such devices as subcontracting and using temporary-help services, so that peak-load jobs remain in a secondary market.

Other factors may impel employers toward keeping small work forces of stable, carefully selected workers as contrasted to larger work forces of less stable workers. Seniority provisions for promotions, transfers and layoffs, and provisions in labor agreements which prevent arbitrary discharge lead employers to prefer a stable work force. In some unionized industries and to some degree in the non-union part of the labor market the cost of instability is borne in whole or in part by the employers—for example, through fringe benefits which range as high as 30 per cent of pay and apply to all workers, and which require employer contributions regardless of hours worked, or compensation, or whether employees have good attendance records. Unemployment compensation ratings vary with employers' merit ratings of their employees.

Appendix II.

Elements of a Manpower Development Program

(Elements required vary according to the needs of individual recruits)

Outreach– Identifying and enrolling candidates for training. Outreach involves active solicitation by mass publicity campaigns, door-to-door recruitment by project staff and volunteers, followup of referrals by public and private agencies. Outreach is most effective when done by staff of the same background as those being recruited.

Intake and vocational assessment–Registration, preliminary testing, initial assessment of capabilities and employment needs, and development of a plan for the individual.

Orientation– Primarily vestibule training emphasizing personal appearance, hygiene, techniques of job hunting, filling out employment forms, information on personal finances, etc.

Coaching– Continued counseling and guidance through training and early stages of employment.

Basic education– Providing trainees with minimum literary and mathematical skills, depending on the requirements of the occupation chosen by the trainee.

Skill training and experience– Providing trainees with entry-level skills.

Job development—Locating appropriate jobs and persuading employers to take on persons who had not previously been considered for jobs, and otherwise working in cooperation with private firms to expand job opportunities.

Job placement – Matching job candidates with the requirements of particular jobs. In principle the objective should be primary jobs.

Follow-up – Continued support through coaches to help identify and solve problems of adjusting to jobs.

Other support services– Helping individuals meet problems of health, difficulties of transportation, personal legal and financial problems, child care problems, etc. One of the most important support services concern health; health and energy levels of many disadvantaged are low because of poor personal health habits and lack of medical attention.

Data collection and research– Gathering data for program administration, evaluation of program effectiveness, and feedback into the program development.

Training Needs

Depending on the firm's needs and the capacities of recruits, one or more types of training may be needed:

• Vestibule-type training and initial special support on the job for secondary recruits – individuals prone to instability, with little or no job experience, who need instruction in the simple elements of getting up and going to work, getting along with supervisors and fellow employees, managing their finances, and otherwise adjusting to a strange new way of life.

• Skill training to bring recruits up to entry-level requirements. Such training may be applicable to hard-core recruits and also to more stable unskilled workers previously held down by lack of skill.

• Training to increase promotion opportunities and advancement for workers already employed.

• Training for supervisors and foremen who will work with "hard-core" employees, to equip them to understand and deal with the problems of those unaccustomed to work routines, problems of racial sensitivities, and other special problems.